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5 June 1985

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POLITICAL

EUROPEAN AFFAIRS

FINLAND UNEASY OVER HOW SWEDEN CONDUCTING USSR RELATIONS

Stockholm INTERNATIONELLA STUDIER in Swedish No 2, 1985 pp 14-16

[Article by Ake Sparring, director of the Swedish Institute of International Affairs: "Sweden and the Soviet Union From the Finnish Perspective"]

[Text] Sweden's relations with the Soviet Union have not left Finland unconcerned. There is not a lack of understanding for Sweden, but they are surprised at how we manage our foreign policy, writes Ake Sparring following a trip to Abo and Helsinki.

"As we know, relations with the East are given a high priority in Finland at the same time as they attach great importance to Nordic stability," said a February editorial in HUFVUDSTADSBLADET, the leading newspaper of Swedish-speaking Finland.

The distinction is fine but unmistakable. When both Sweden and the Soviet Union bait each other in a way which does not fit into Finland's picture of the world, it is natural that it draws their attention. Much has been written and still more discussed about Sweden and the Soviet Union. It is different from what we think in both spirit and content.

We can have something to learn.

As in other parts of Europe, the picture of Sweden in Finland has changed character during the past 10 years. For a long time they looked up to Sweden as a leading country in most areas. They envied Sweden its international status.

Now the halo has faded. They are not impressed by the politicians' efforts, or lack of efforts, to work on the economic problems. They think that we Swedes should understand that a country with large balance of payment difficulties, a large budget deficit, close government changes and tragicomical "affairs" is not taken seriously in the rest of the world. But Sweden continues as though nothing has happened.

President Koivisto is reported to have said that while Finland strives to have equally good relations with all countries, Sweden busies itself with trying to have equally bad relations with all. What the president is talking about here is what we here call the high Swedish profile, or Sweden's self-assumed role as the conscience of the world. The subject is a little sensitive in Finland, after all that has been said about "self-censorship." A Social Democrat MP admitted that now and then it is nice to see someone also stand up against the superpowers... but what does a country really have a foreign policy for? Is it not more important for a small country to look after its own immediate interests than to try to save the world?

Lack of Contact

It is in northern Europe that Sweden can influence developments. Regardless of party affiliation or occupation, all of my conversation partners expressed their surprise at the lack of bilateral relations between Sweden and the Soviet Union.

They find the meager amount of trade striking. Is it not remarkable that Sweden exports more to the ayatolla's Iran than to the nearby Soviet Union? Would not the Soviet Union be an ideal market for Volvo and SAAB? The Russians are probably offended over this lack of interest. It was a political indication when the Swedish Johnson firm passed up the expansion of the harbor at Tallin despite the lower bid.

Finland derives great benefit from its extensive trade with the Soviet Union. In part it has an export equalization effect. In part it provides Finnish industry with a market for products which would be difficult to sell in the West. A historian points out that this trade would never have reached its present extent if the Finnish Council of Mines had not pressed on. Nobody accuses them of communist sympathies (which is an understatement). They are looking after their own interests. But Swedish business leaders are completely oriented toward the West and the third world.

The Russians are anxious to have broad contacts with their neighbors--and Sweden is one of the Soviet Unions's neighbors whether we recognize it or not. Trade creates contacts and in the end confidence. Confidence is not destroyed by an occasional hardening of the tone when it is a question of marks and rubles. In addition Finnish organizations of all kinds have regular exchanges of delegations with the Russians. The meetings are not always so pleasant, but they are useful.

One official said that Sweden is too formal in its relations with the Russians. Sweden prefers to act in international forums. That is where the administration of the Foreign Ministry directs most of its energy. (Perhaps a change is on the way. The Foreign Ministry has shown an increased interest in how Finland conducts its affairs with the Soviet Union.) It is as if we had forgotten the map.

If Finnish diplomats express themselves very carefully, it is as though they are very talkative when compared with the Finnish military. But it is clear that in military circles they are surprised that their Swedish colleagues do not seem to realize that the situation in the Baltic has changed. Sweden lives in the shadow of a superpower. And what is today's problem? Swedish defense planning is focused entirely on the big invasion. We have neglected readiness for incidents. Finland continuously has personnel on watch out in the archipelago, and they began early to develop a technique for detecting, localizing and evicting foreign submarines. (I later learned that Sweden is now buying that technique.)

The conclusion which I was invited to draw, if I understood the conversations correctly, is that Sweden more or less invited foreign submarines to its territorial waters by neglecting readiness for incidents. And: if that problem is solved the incidents will come less frequently. Sweden should remember that even though the country has political freedom of action (in comparison with Finland), its military-political freedom of action is limited.

Is Sweden Reliable?

But is that a sufficient explanation? A diplomat philosophized:

Internationally, Sweden is at home in two camps: the Nordic group and the group of European neutrals. The diplomat did not believe that the Soviet Union has changed its view of the Nordic group. The difficulties which existed between the Soviet Union and Finland in the 60's have turned into a very stable relationship. The change of presidents showed that relations were based on much more stable ground than Kekkonen's person. Relations with Denmark and Norway have never been free of friction, but there is no more friction today than previously. It is with Sweden that relations have changed.

Nor are there signs that the Soviet Union has changed its view of the neutral countries. Relations with Austria have been excellent. The Kremlin did not attempt to exploit the situation in Yugoslavia following Tito's death. No attacks on Switzerland beyond the routine ones could be observed. Again it was Sweden which held a special position.

Can it be that Sweden is beginning to be considered fickle? The Russians detest fickleness.

It is when we speak of Sweden's political life that the criticism becomes massive and bitter. The dialogue which is necessary in a democratic country between the government and the opposition has disappeared and been replaced by something resembling a permanent election campaign. The Social Democrats and the Conservatives are the biggest rowdies.

How did we reach this point?

The historian should build on the long perspective. Like Finland, Sweden is basically an authoritative state. The Swedish people have always turned to a strong national power. When Gustaf VI Adolf died and Prime Minister Erlander retired at approximately the same time, the Swedes no longer had anyone to look up to. The Swedish middle class never considered Palme anything but the prime minister of the Social Democrats. Falldin was in certain ways a figure around which to gather, but he could not hold his governments together. Then what remained for the authority-hungry Swedes besides the king? How else can the blazing royalism be explained? But the king is outside of politics.

Observers believe that the bitterness in Swedish politics is because the actual differences between the parties are small. Therefore the existing conflicts are blown up into unreasonable proportions. When the Conservatives propose totally insufficient cuts in the national budget, they are accused by the Social Democrats of wanting to "demolish the welfare state." When the government tries to conduct entirely normal diplomatic maneuvers they are accused by the Conservatives of sending a "double message." It is in that light that the so-called Bodstrom affair is seen.

So long as the parties remain within domestic policy it must be that way; that is the Swedes' own problem. But when the politicians fight in the same way over foreign policy they are creating problems for the rest of the world. What is it that the parties want foreign policy for; as an instrument to look after Sweden's interests, or as a weapon in the fight for voters?

Palme Government's Dilemma

They believe they understand the government's dilemma. On the one hand the submarine commission report, and all later reports of submarines, a fierce press and public opinion which has become more and more critical of the Soviet Union. On the other hand the necessity of normalizing relations with Moscow. The governments way of doing things has not been the best, but its efforts are natural, respectable and highly in accordance with Sweden's long term interests.

My conversation partners did not really believe that the other parties would do differently. But they are not prepared to give the foreign policy leadership the confidence it needs for its diplomatic maneuvering. The Conservatives' steady bashing of foreign policy is irresponsible, and perhaps more so as Carl Bildt is known to be an extremely capable man. The Liberal Party does not have a foreign affairs profile in Finland. Nor does Falldin: he surprised everyone by taking a position on the Bodstrom affair. The Center Party has been viewed as proof that the traditional Swedish foreign policy has an anchor somewhere besides the Social Democratic Party.

If there is anything which caused real concern in Finland it is the actions of the Swedish press. The journalists with whom I spoke admire their Swedish colleagues for their fearlessness and professionalism they demonstrate in their journalistic footwork. What they lack is a willingness to understand

that special measures should be taken with the big picture. Torn out of its framework, any event can appear doubtful. (In the Finnish press, they admit, understanding of their own foreign affairs leadership goes too far at the moment.)

The Swedish mass media also depicts the Soviet Union in too negative a way. Obviously they should be critical. But they tend to select out negative material about the Soviet Union. Thereby they shape negative public opinion. Several years ago it was the United States which was blamed for all the evil in the world. Now everything seems to be fine again. But has the United States really changed so much?

Some believe that perhaps this is a parallel with the high profile. Sweden's view of the world is moralistic. Moralism blinds. Moralists only see the reprehensible.

Small Nations and Large

On the way home over the icy Aland Sea it struck me that nobody said anything critical about the Soviet Union. And I thought that in spite of everything it was not Swedish submarines which visited Kronstadt and other Russian bases. But that is perhaps a typical Swedish way of reasoning.

Some say that Sweden believes that all nations are equal. That is a pretty principle, but not based on reality. The Swedes are blinded by the fact that they were the objects of the world's admiration for so long. In Finland the opinion about small and large nations is more chastened. Great powers are great powers and small states are not great powers. In 1939, say the historians, Finland appealed to the League of Nations and won the sympathy of the world but lost the war and Karelia. After that lesson Finland has recognized the Soviet Union's security interests as legitimate, and now lives in peace.

Understanding for the United States' policy in Nicaragua is greater in Finland than in Sweden, said a member of parliament.

The moral: Sweden will accommodate itself to the role of small state?

For the ordinary Swede the submarines were an unbearable provocation. For the Finns they seemed to be a part of the natural, though undesirable, course of events. In such a world one must be pragmatic. No problems are solved by regarding the great powers as evil. It is the interests of the Soviet Union in this question that we must analyze.

But what these interests are, when it comes right down to it, the Finns are just as perplexed as we are.

POLITICAL

DENMARK

SOCIALIST PEOPLE'S PARTY CONGRESS BIDS FOR PACT WITH SDP

Chairman Asks for Talks

Copenhagen BERLINGSKE TIDENDE in Danish 4 May 85 p 1

[Article by Thorkild Dahl and Marion Hannerup: "SF Wants to Enter Government With S"]

[Text] Cooperation between SF [Socialist People's Party] and S [Social Democratic Party] was the main subject yesterday at the SF national congress which took place in Alborg. The speakers were mostly in agreement that SF should go into the government if S and SF get a majority in the next election.

SF is prepared to assume government responsibility with the Social Democrats after the next election. The two parties should here and now get together and prepare an alternative to the Schluter Government.

That was the main message of SF chairman Gert Petersen to the party's national congress which opened yesterday in Alborg.

The chairman received long applause, and was strongly supported by a large number of speakers, who repeated:

"We approve, but the Social Democrats must also take our viewpoints into account."

"This has been a very strong demonstration," said Gert Petersen to BERLINGSKE TIDENDE, and added that it is backwards when the Social Democrats first want to discuss the program of a labor majority after an election.

"We must get started with direct conversations now," said Gert Petersen.

However the party chairman could not avoid the feeling that some of the S leaders have certain tactical, party-egoistical objectives, and called the S proposals of recent weeks for government cooperation "verbal rape."

"Government cooperation presumes full unity across the board. I believe that there is now a good possibility for this in the areas of social restoration and an effective employment policy based on, among other things, reduced working time. At the same time we must pay suitable attention to the balance of payments and the national debt. But government policy also includes foreign policy and security policy, and in these areas I have a hard time seeing the necessary unity," said Gert Petersen, and asked for flexibility from the Social Democrats.

Would Yield on Defense

Copenhagen BERLINGSKE TIDENDE in Danish 4 May 85 p 5

[Article by Thorkild Dahl and Marion Hannerup: "SF Ready for Moderation"]

[Text] SF is prepared to run the risk that S is up to something with the nonsocialist parties, which the party is against.

SF is ready to accept that a labor majority with S must not go forward faster than the popular majority can accompany it.

This was said by SF chairman Gert Petersen to the party's 270 delegates at the opening of the 3-day national congress in Alborg.

"We will gain nothing by answering insults with insults, but we must hold fast to the dominant objective: To establish a reliable and credible alternative to Poul Schluter's nonsocialist bloc."

The effort by S to shove SF aside and describe it as an oversold party has been turned on its head by the congress, and SF's chairman Gert Petersen accepted the invitation to cooperate, also within the government. He said he approved essential parts of the SF policy. "The workers' parties must clearly show the voters what they can agree on," said Gert Petersen, and requested SF to stop waiting for the results of the next election.

"We should now be preparing the alternative through meeting, debates and direct conversations and discussions," said Gert Petersen. The chairman emphasized that real government cooperation would be "the strongest," but added that SF is prepared for another kind of formalized cooperation if that can not come about.

"SF is ready to run the risk that S is up to something with the nonsocialist parties which we oppose in foreign, security or EC policy, if only S and SF can reach agreement on the protocol for domestic policy. SF will accordingly vote for the finance law as an indication of good faith in cooperation," said Gert Petersen.

"SF can no longer allow itself, for party tactical reasons, to vote against the finance law," said Gert Petersen, "because a growing number of the pop-

ulation place their confidence in SF on the expectation that the party will solve their problems in practice."

SF's economic recovery program will be gone over and adjusted, and Gert Petersen said he would not insist on the party line of a 30-hour workweek by 1990. Economic policy will also be adjusted, "because there will still be much investment under a workers' government." Gert Petersen was pleased with the results of a security policy majority consisting of S, SF, the Radical Liberal Party [RV] and VS [Left-Socialist Party], and called the controversial "footnote policy" a "genuine contribution" to reducing tensions.

SDP Cautious to Overtures

Copenhagen BERLINGSKE TIDENDE in Danish 4 May 85 p 5

[Article by Thorkild Dahl and Marion Hannerup: "S Reticent Toward SF"]

[Text] Despite a clear invitation from SF, the Social Democrats want to await the results of the election before the party will consider possible government co-operation with SF.

Mogens Lykketoft (S) was cautious yesterday after delegates at the SF congress yesterday received last week's invitation from S--and are now ready to agree to vital political areas in order to engender government cooperation with the Social Democrats. Or in the words of chairman Gert Petersen, "to prepare a workers' majority, and not make the mistakes which earlier leftwing majorities made."

Mogens Lykketoft (S) told BERLINGSKE TIDENDE:

"The debate has caused SF to veer away from the policies of overbidding. And that is a positive sign, if it also holds in practice."

Also former prime minister Anker Jorgensen is pleased that SF has realized that Denmark has to have control over the economy of society before the combined idease of the two parties can be realized.

Poll Gives Encouragement

Copenhagen BERLINGSKE TIDENDE in Danish 6 May 85 p 10

[Article by Thorkild Dahl and Marion Hannerup: "SF Rejoices Over New Gallup Figures"]

[Text] SF is ready to try government cooperation with the Social Democrats.

Rejoicing and lengthy applause filled the congress hall when the new Gallup figures were announced during the midnight dance at the SF congress party

under the headline, "Gallup Gives S and SF an absolute majority."

The figures were a confirmation for the 270 delegates that the almost unanimous support given to SF's new course as a government party in cooperation with S came at the right time.

"The possibility for a workers' majority is now within reach," said Gert Petersen from the speakers platform.

Even though the Social Democrats let it be known during the weekend that real negotiations on government cooperation must await the election results, many of the delegates, including national secretary Kennie Katborg said that SF must now begin working on a platform along with S.

The congress gave chairman Gert Petersen and his board of directors a wide framework in which to try to draw S into real cooperation, and all firm demands which could get in the way were voted down. Among other things, that happened to Elisabeth Naestholt's demand that SF be strengthened significantly and be in agreement with S before negotiations can begin.

The congress saw no great difficulties in reaching agreement with S on social and economic questions, and Gert Petersen made a clear opening on the question of greater agreement on foreign and security policy.

"It is decisive for government cooperation that unity can be created on foreign and security policy. If on the other hand it is a matter of less binding formalized cooperation, the demand for unity is not an ultimatum," said Gert Petersen.

From Disarmament to Reorganization

Copenhagen BERLINGSKE TIDENDE in Danish 6 May 85 p 10

[Article by Thorkild Dahl and Marion Hannerup: "Anker Jorgensen Says New Tones Sound from the SF Congress"]

[Text] "It is clear that new tones in defense and security policy are coming out of SF. Now they are not speaking of disarmament, but of armaments and defense."

That was said by Social Democratic Party chairman Anker Jorgensen following the SF congress which ended yesterday in Alborg.

To Understand That No Won't Do

"We have noted with satisfaction that SF, which has grumbled for years over the S policy on EC, is beginning to recognize that the eternal no policy of the People's Movement Against the EC is not constructive," said Jorgensen.

The Social Democratic Party chairman added that promises are not worth much if SF continues to hide behind its own leftwing.

"SF's many words about cooperation must be followed up by actions," said Anker Jorgensen.

He emphasized that SF must document, also in the municipalities, its "existing desire to cooperate."

Membership Decline Worries

Copenhagen BERLINGSKE TIDENDE in Danish 6 May 85 p 10

[Article by Thorkild Dahl and Marion Hannerup: "SF Has Too Few Members"]

[Text] "We are too poor to receive our new members," said the vice chairman of SF, Aage Frandsen, to BERLINGSKE TIDENDE.

SF has barely 8,000 members, which is 1,000 more than one year ago, but in relation to the number of voters in the last Parliamentary election that is only a percentage of 2, and thereby SF has the weakest membership basis seen in relation to voter support. "It is all too poor," said Aage Frandsen.

He believes it is realistic to invest in a doubling of the number of members over the next 5-6 years. "Every time we get 2,000 new members we lose half of them during the first year. Not for political reasons, but because many of the new ones do not manage to feel like members of SF in that time," said Aage Frandsen.

He believes that the party organizations must be quicker to bid people welcome and tell them about what SF offers--not only politically but also socially.

"We are largely lacking in social activities in the different party organizations. People have a great need to feel fellowship on other fronts than the political," said Aage Frandsen, and spoke of how it was to be a Social Democrat several years ago.

One put his money in a workers' bank, bought his bread from a Social Democratic baker and got married and buried in the Social Democratic way.

"Not because we want to follow that pattern," said Aage Frandsen, "but there is a great need among the members for a social environment as a natural part of the political."

The membership number of barely 8,000 is the highest ever in SF's history. The same applies to the number of party organizations, which in March 1984 was 139 and today one year later is 163.

SF also expects that the party's progress will also show up in the form of an increased number of municipal and county council members. Aage Frandsen said, "We expect at least 250 municipal council members compared with the 150 we had in 1981, and about 35 county council members compared the 24 that we had last time."

Furthermore SF expects to be represented in a number of municipalities in which the party was not represented in the last municipal election because, among other things, SF did not run in a number of places. "We expect to run in 170 municipalities compared with 109 the last time, when we won representation in 95 municipalities," said Aage Frandsen.

Newspaper Discounts Image Change

Copenhagen BERLINGSKE TIDENDE in Danish 6 May 85 p 8

[Editorial: "Viewpoint and Influence"]

[Text] Politics on the party level is largely concerned with two--not necessarily mutually excluding--conditions: viewpoints will be formulated and influence will be sought and exercised. In the first 25 years of its life SF has primarily occupied itself with the first condition. Many standpoints and viewpoints have been formulated on large and small issues in Danish politics. The main content of the policy has been that the old radical foreign and security policy established by Aksel Larsen should be retained, and that the rest of the political game was to hold S to its program.

The inheritance from Aksel Larsen has been well protected. For the first time in recent years something has happened which resembles a renewed scrutiny of the party's security policy inheritance. Pelle Voigt has started a debate which can get interesting, not because it is leading to a decisive break with previous positions, but because it shows some movement in the party.

On the other hand it has gone less well with relations with the Social Democratic Party. In two situations SF should have supported minority S governments, and in both situations it turned into what must be called a break. A break with S, but also an inner break with resulting heated party discussions. The reason is clearly that regardless of SF's declared goal, they avoided the means. In his time Poul Dam tried to cooperate with Per Haekkerup in the so-called coalminer gang, but he never brought his party up to the goal line where economic reality was allowed to break through party policy. Sigurd Omann tried to get SF supply itself with a realistic economic program, but both himself, Morten Lange, Poul Dam and others from the old guard had to pay the price in the form of exclusion from party leadership.

In a strange way SF has succeeded in escaping the problems of the day, but has retained a grip on the voters. The national congress in Alborg has con-

firmed what everybody knew: that SF wants to participate in close cooperation with the Social Democrats. But the congress has also confirmed that there is a long road ahead before cooperation can be established. Gert Petersen promised that SF's economic recovery program would be gone over and adjusted. But he did not promise that his party would immediately be there where political influence is found at the moment. In that regard it is characteristic that he directly requested S to withdraw from negotiations for tax reform. That is a request which shows that there is a long road ahead before SF has a realistic view of the social economy and the political game in Denmark. Viewpoints can be polished up, but even with newly polished versions it will be difficult for SF to exercise influence there where policy is formed.

9287

CSO: 3613/143

POLITICAL

DENMARK

LIBERALS, CENTER DEMOCRATS FACE REVOLT OVER COALITION POLICIES

Disagreement over Fiscal Policies

Copenhagen BERLINGSKE AFTEN in Danish 16-17 Feb 85 p 4

[Article by Stig Albinus and Erik Meier Carlsen]

[Text] The 1986 budget will be a difficult affair for the government. Of the dynamic trio, Schluter-Helveg-Christophersen, who saved the situation last time, Helveg has been seriously weakened and Christophersen has been replaced by aggressive Liberal Folketing members with a need for a sharper ideological profile. The year 1985 looks as if it will be a year of unsolved problems and a serious political crisis is already looming at the very beginning of the year.

A week from Monday when the earnest ministers will seat themselves around a table in one of the small decorative rooms at Marienborg hunting lodge to pare 4.5 billion kroner from state spending, the most sensitive among them will sorely miss one member of the group. Henning Christophersen was the government's idea man, the flagship of the Liberal Party who designed the government's neoliberal economic policy and gave meaning and substance to the warm friendship between Schluter and Helveg.

Christophersen's departure has been a strain which to an increasing extent has created tension between the two biggest government parties. And this tension has in turn made life difficult for the Radical Liberals. At the same time Radical leader Niels Helveg Petersen has been seriously weakened internally after his total miscalculation with regard to the compensation intervention.

No More Power Plays

The extremely effective and smoothly-running inner dynamo in the ruling alliance no longer exists. Last spring the trio of Christophersen-Helveg-Schluter celebrated a triumph when behind the tightly sealed doors of the Finance Ministry they managed to pull off the 1985 budget compromise. Helveg Petersen,

who is known as a competent chess player and a bold soccer player, resorted to the language of ice hockey when he characterized the agreement then as a "power play," in other words a demanding and bold offensive play on the opponent's half of the ice. The union movement was hit with continued cost-of-living confiscations and maternity leaves were extended. Along with some gift taxes and general savings cuts these were definitely the optimal political features in the situation.

There is no prospect of a similar showing this spring. And the government could certainly have used something like that.

On 19 November Denmark will take a vote.

There will be municipal elections and a number of Liberal mayors are likely to lose their jobs to the Conservatives. It is hard to guess how many will be affected. A good deal will depend on the political balance of power in Folketing over the next 6 months. Members of Folketing will have to collect themselves after the contract situation, agree on a tax reform and present a budget proposal.

Cooperation Between Liberals, Conservatives Strained

The Liberals, who have so far been unable to change the situation that the Conservatives are the only ones to score points on the basis of the government's successes, are obviously feeling crowded.

In the past week two of the nonsocialist government's most active advisers, political science professors Poul Meyer and Grønnegaard Christensen, raised warning signals in articles in JYLLANDS-POSTEN and BERLINGSKE TIDENDE. "The cooperation between V [Liberal Party] and K [Conservative Party] is strained," the warning runs.

Liberal group chairman Ivar Hansen is not afraid to speak plainly. The compensation scandal led to public skirmishes. This has been taken care of now, but, "there are all the other things....I am well aware that since the beginning of the year there have been too many cases where there have been differences between what V and K said. The cooperation is fraying and we must consider carefully what to do about it," he said in the weekend edition of BERLINGSKE AFTEN.

Ivar Hansen could be suspected of thinking that one of the most obvious ways to offset the problem would be for the Liberals to realize that the party chose the wrong man to succeed Christophersen.

Ellemann-Jensen is clearly aloof from the domestic economic policy problems and is almost as single-mindedly occupied with the big international political scene as his good friend Christophersen is currently entitled to be.

Government's Structural Problem

This has given the government what a Radical politician called a "structural problem."

It is no longer a Liberal finance minister who is calling the shots in economic policy or thinking up proposals for liberal reforms that could provide a real meeting ground for the joint interests of Liberals and Radical Liberals. On the contrary. The Liberal Party's only participant in economic policy is Anders Andersen, whose most important qualification is an undeniable ability to say no in a way that cannot be ignored.

And although Finance Minister Palle Simonsen is praised as an agile negotiator it is inevitable that the course of negotiations is made much more difficult by the fact that the Liberals are no longer standing close to the net but have to sit on the bench and check all the pragmatic compromises Helveg and Simonsen come up with.

Helveg Underestimated Protest

The Radical Liberals had a dress rehearsal of the difficulties during the second round of talks on the job offer measure. Even Henning Christophersen could probably not have avoided problems in the first round. Helveg Petersen simply made a disastrous underestimate of the problems involved in providing the training positions that were supposed to replace the other job offer for the long-term unemployed under the agreement. And he did not foresee the dimensions of the protest against the measure. He had been warned by his advisers, but stuck to his guns. The fact that he launched the unpopular measure in a less than half-finished form--from a Radical point of view--seems to have had something to do with his preoccupation with traveling to the United States in response to an invitation.

Now the Radical Liberals were tied hand and foot by a statement of intent before the important substance of the measure had been finally negotiated.

And when group colleagues struggled in his absence to save what they could, they noted the "restrictive and heavy" effect of the fact that the Liberals' economic line was not presented at the negotiating table in the prime minister's office but at meetings of the government coordinating committee.

The fact that the Radical group was heroically determined to demonstrate that they could handle the situation and could finish negotiations on the agreement before Helveg came home from the United States did not make the situation any easier for the government support party. The Radical negotiators were put in an unnecessary time squeeze. That gave them a poorer negotiating position.

And now the "structural problem" is even more obvious. By next Monday the government should have an overall idea of the 1986 budget. But at the same time it must realize that it will probably be impossible to arrive at the final budget agreement until after the municipal elections, in other words just before the formal "deadline" in December.

It is very doubtful whether it will be possible over such a long period of time to maintain the aggressive cuts in public spending and in spending structure that are needed if the government is to meet its own ambitious goals.

The first hurdle is a direct result of the Radical mess over the compensation measure.

Tax Reform Before Budget Agreement

Although only 10 of the 115 members of the Radical Liberal executive committee voted against the second version of the job offer agreement, the committee was forced--in order to heal the wounds--to resolve that a decision on the main lines in a tax reform move must be reached "before the public spending policy--and possible public spending cuts--for 1986 can be determined."

This resolution definitely spoiled the negotiating pattern from last year.

As one of its special issues the government has carried out a budget reform that means that an individual ministry's "total framework" under a budget must be set almost a year before the law goes into effect. These overall limits form the basis for the budget contributions prepared by the individual ministries and submitted to the Finance Ministry in May.

If the total limits are to have any meaning they must express the government's overall spending policy and when the limits are set the finance minister must have made it fairly clear where the big savings cuts must be made so that the so-called "automatic increases" in the budget and the growing interest burden can be held in check.

If the budget that is presented in August is to be a realistic statement of the consequences of the overall economic policy, there is a clear need in the phase between the Finance Ministry's February announcement of total limits and the ministries' presentation of their budget requests in May to create agreement among a majority of Folketing members on the main lines of these appropriations. That is what happened last year.

Agreement Pattern

With the institution of a budget year that coincides with the calendar year, Folketing was introduced in 1978-79 to a new pattern for political crises and compromises. If the government had a stable majority lined up behind it the major struggle over the budget came in the spring and the legislation the government presented in August was marked by the "May agreement." If the majority was unstable the minority government presented its budget in August at its own risk and on its own responsibility and the major struggle over economic policy was postponed to discussions about proposed amendments to the budget in the fall.

Anker Jorgensen stabilized himself with the May agreement in 1980, but the May agreement in 1981 was a sham and the result was a crisis and an election in December 1981.

The May agreement in 1982 (on the "March package") was an illusory agreement and the budget negotiations in September led to the government shift. The government did not get a real budget agreement in May 1983 because Glistrup

created problems and the "Rio Bravo agreement" in the fall was not a genuine budget agreement because the Progressive Party did not feel committed to it. That led to another Christmas election.

But the 1984 "May agreement," which was actually reached in April, was convincing proof that the 1984 election had created stable conditions again.

Without claiming that we are heading for the third Christmas election since the change in the fiscal year, it is a clear sign of increased political instability that the battle over the 1986 budget must now be postponed until fall.

The fact that it also means very concrete problems--especially with the government's tightening of deadlines during the budget reform--is shown by today's example of municipal grants, which is discussed elsewhere in the paper.

Tax Agreement Certain

The Radical decision to have tax reform before agreeing on a budget is undoubtedly an effective way of speeding up tax discussions. Representatives of all three negotiating parties agree on this: by summer there will be an outline of 10-12 points on the main lines of a reform that the technicians' committee can develop further.

That would open the way for budget negotiations with the Radical Liberals--theoretically they could get under way during the summer, in other words prior to the publication of the legislation in August, but it is unlikely that there will be any real agreement until after the municipal elections have been held.

In addition a budget compromise will contain things that are too weighty. The government parties have agreed that the Radicals must have a long line this time. But the disturbing effect of the municipal elections cannot be avoided. If things go as outlined the government will be struggling with its budget cut proposal, which must be presented publicly in August, right up until December.

And these proposals will be extremely difficult to come up with and agree on.

Liberals Want to Continue

The distrust between V and K as a result of the government's "structural problem" found concrete expression when the Liberals at their evening group meeting on Thursday appointed a "perspective committee" with the ambitious budget spokesman Anders Fog' Rasmussen as chairman. The committee will try to offset the loss of Christophersen by taking hold of the "modernization process" in the public sector that Christophersen set in motion and that is now in danger of coming to a standstill.

The Liberals believe that real reform measures are necessary if anything serious is to be done with the debt problems. In the previous three budget

maneuvers the immediate possibilities were used up--things were "slashed to the bone," as they say--and savings were realized by means of "cosmetic" or "onetime" cuts as the phenomenon is called by opposition and government politicians respectively.

This time it will not be so easy to find the 4.5 billion kroner that must be cut to offset the rising interest costs. And in addition there must be substantial budget changes to prevent the "automatic" rise in expenses from breaking through the budget ceiling.

Liberal skepticism has been greatly increased lately by the very relaxed way in which the Conservative ministers have greeted the united DA [Danish Employers' Federation] and LO [Danish Federation of Trade Unions] rejection of the compensation reform. When a Conservative labor minister will not put any effort into an unpopular structural savings cut, Liberal ministers in the heavy spending areas--internal affairs, social affairs and education--risk having to bear the entire burden.

Fee for Income Tax Return

A poker game is currently being played over the distribution of savings cuts.

A favorite procedure is to present more or less ambitious savings proposals within one's own ministerial area that anyone can see are politically unfeasible.

For example the Tax Ministry came out with the idea of imposing a "user fee" on income tax returns. When this idea had to be rejected in advance as completely hopeless the Tax Ministry officials considered instead imposing a fee on requests for changes in advance registration, but that idea too failed to hold up under closer scrutiny.

Of course the government will make some kind of move, but it will tend to veer toward two extremes that could be equally unpleasant:

Either V and K will hold each other in check with the thought that if one side refuses to make cuts the other will too. In that case we will get an extremely loose budget proposal, which will suit the Radicals and the municipal election campaign very well, but will do little to meet the government's economic goals.

Or the opposite will happen and the Liberals will carry out their demands for effective intervention with reforms that produce structural savings--which will be unpalatable to the Radicals to a large extent.

And in addition the Radicals must gain something tangible from the budget compromise comparable to the maternity leave issue last year. In other words they need a concrete example that the party can also get very popular progressive results from the budget negotiations.

Impossible Radical Demand

The Radicals insist that tax reform belongs in a financial policy context because it must be instrumental in improving the distribution profile of future budget policies.

"If there is a need for increased public revenues in the period before a tax reform can go into effect, higher income groups and outdated business subsidies will have to pay for it," according to a statement issued by the executive committee on 1 December.

Even if cuts are made in business subsidies this will hardly be enough to save the budget and if the Radicals stick literally to the executive committee statement there is unlikely to be any budget agreement.

The main elements of the tax reform will not "go into effect" before 1 January 1987, according to a top tax policy negotiator.

However it is very hard to see how tax reform in itself can contribute to economic realignment in the short term. It is obvious that a break with the existing system's rewards for indebtedness and its unintentional financing of taxpayers' private consumption will be advantageous in the long run. But the major part of the reform requires protracted transition arrangements whereas one can easily see a tendency to step up the more popular tax breaks, which are much easier to implement, such as subsidies for families with children and raising the proportional tax area.

The fundamental--and still unsolved--problem with the entire tax reform is "financing," in other words the fact that if the government's plan is implemented in the form it was presented the total tax breaks will add up to 8 billion kroner. And in addition to that everyone wants to do something for families with children.

Immediately and in the short term tax reform will only increase the difficulty of producing economic balance.

Contracts

And the same thing could easily result from the conclusion of contract negotiations.

Unless the talks break down--which the government and the Radical Liberals would probably be most interested in.

When the unions shut off the electricity and gas going to the homes of elderly women on Maundy Thursday, the first conflict day after the maximum number of delays, Schluter is unlikely to hesitate and the Radicals, who are hostile to the union movement, will not suffer from nerves. Quick and resolute steps will be taken: modest wage increases, mostly to those in the lowest income groups, and a small reduction of work hours.

Such an intervention would be much better for the government's economic policy line than a voluntary labor market agreement. An agreement would either involve excessive wage increases, which would be turned into consumption and increase the serious balance of payments burden, or it would lead to such a large reduction in work hours that it would really give the government problems in the public sector.

If there is a labor market agreement it will probably add to this year's many unsolved political problems. Maybe appearances can be maintained for the rest of the year, but the effort will leave its mark. The balance of payments problem was so massive in 1984 that the 1985 figure will almost have to be better. But that does not solve the problem, of course.

There will be visible and invisible piles of unsolved problems on the table at Marienborg next Monday. The ministers must not only miss Christophersen, they must also be feeling the hot breath on their necks from his successors, the aggressive Liberal members of Folketing on the "perspective committee." They have good reason to feel uneasy.

Liberals Accused of Threatening Coalition

Copenhagen AKTUELT in Danish 19 Feb 85 p 17

[Article by Bjarne Kjaer]

[Text The chairman of the Liberal Party, Foreign Minister Uffe Ellemann-Jensen, felt compelled to publicly rebuke his party's financial policy spokesman, Anders Fogh Rasmussen, in order to preserve the co-operation of the four government parties.

The government cooperation comes before the Liberal Party's Gallup poll figures and there should be no doubt as to the Liberals' loyalty to their government partners, the foreign minister said.

He was trying to smooth things over after a violent internal showdown on the part of prominent people in the other government parties who do not intend to sit quietly by while the Liberals appoint an internal party committee to "supervise" the government and insure a sharper Liberal profile in the government coalition. But it is doubtful that Ellemann-Jensen's repudiation of his party colleague will be enough for his government partners who are becoming increasingly dissatisfied with the Liberals' solo performance on a number of matters. And at the same time there is a smouldering unrest in several of the parties that are having a hard time presenting an independent profile in the government coalition. In particular the younger nonsocialist politicians want to define themselves and their parties and they have a hard time adjusting to the tight reins that come with government cooperation.

CD: Clear Miss

CD [Center Democrat] group chairman Frode Nohr Christensen is satisfied with Ellemann-Jensen's "apology," but only as a first step. At a meeting of the group chairmen of the four government parties today he will "demand that the Liberal group chairman make a clear statement that he is the one who leads the Liberal Folketing group and that what the Liberal group chairman says at the weekly meeting of group chairmen holds good."

"I want to get the leadership form of the Liberal Party firmly established at today's meeting. The Liberal group chairman must make it clear to me and the other group chairmen that he is the one who leads the Liberal Folketing group and that the internal committee named by the Liberal Party is a mistake. This is a clear miss on the part of the Liberals, but unfortunately we have seen several of these lately, for example on the compensation issue," said Frode Nohr-Christensen.

Several Weeks of Unrest

The internal showdown among the four government parties comes after several weeks of unrest in the Folketing groups of the four government parties. Recently there have been unusually sharp confrontations on the compensation issue, with the Conservatives, CD and KRF [Christian People's Party] being forced to yield to the Liberal Party's ultimatum demanding the appointment of a court of commission when the three other government parties would have preferred a parliamentary commission, something the Social Democrats also wanted. But the Liberals won.

There have also been disagreements about the government's stand on the contract situation, tax reform negotiations, security policy, cuts and economic policy, environmental questions and agricultural policy. In addition Prime Minister Poul Schluter (K) has once more had to rebuke his foreign minister for statements in Rome concerning the Danish government's attitude toward President Ronald Reagan's "star wars policy."

But it was a little too much for the Conservatives, CD and the Christian People's Party when the Liberal Party's financial policy spokesman, Anders Fogh Rasmussen, talked on TV last Sunday about the Liberal Party's wish to create a stronger profile in the government cooperation.

Perspective Committee

The Liberals have appointed a "perspective committee" consisting of political spokesman Laurits Tornaes, the vice chairman of the Folketing group, Povl Brondsted, Finance Committee chairman Svend Erik Hovmand and financial policy spokesman Anders Fogh Rasmussen, who will act as chairman. According to Anders Fogh Rasmussen the committee will create a sharper contrast to the Social Democratic model of society and at the same time make sure that the government's policies are more in accord with Liberal policies!

Liberal group chairman Ivar Hansen said that the background for the new committee is that it is essential for the Liberal Party and the government coalition to have a constant input of new ideas, thoughts and future perspectives in order to produce a flexible, creative and elastic cooperation in the four-party government.

"The committee has no authority or other powers but is exclusively a source of inspiration that will function as a generator of ideas for both the party and the government," said Ivar Hansen who felt the committee could help to strengthen government cooperation.

"It would be a shame if someone tried to misuse such an initiative to sow seeds of dissent between the government parties. There is no reason at all for that." Ivar Hansen was convinced that government cooperation will endure "even though outside forces sometimes try to make it look as if the cooperation is shaky. The committee is only a small piece in the larger puzzle that enables the government cooperation to work without friction," the Liberal group chairman said.

Cooperation at Stake

But the work of the Liberal committee evidently came as a surprise to the three other government parties. The Conservative, CD and Christian People's Party group chairmen took exception to Anders Fogh Rasmussen's statements. CD group chairman Frode Nohr Christensen and KRF group chairman Jens Steffensen said that the Liberal Party is jeopardizing the government cooperation and that the time has now come when the other government parties must call a halt.

Prime Minister Poul Schluter (K) would not comment on the disagreement. He only said that "some of the rough edges need to be polished." His group chairman, Knud Ostergaard, doubted that the Liberals are doing the right thing and did not think that a confrontation or a "sharper profile" will appeal to the voters.

Unnecessarily Offensive

Protests from the three group chairmen led Liberal chairman and Foreign Minister Uffe Ellemann-Jensen to rebuke Anders Fogh Rasmussen yesterday:

"I find his choice of words wrong and unnecessarily offensive to the other government parties."

The foreign minister "hunted" for his party colleague all day yesterday so he could tell him off in person, but Anders Fogh Rasmussen had to receive his party chairman's correction publicly via the radio news broadcast.

Ellemann-Jensen said that it is a misunderstanding if people think the Liberals are appointing the committee "to boost ourselves at the expense of the others." It is more important for the Liberals to preserve the cooperation

and mutual loyalty in the government than to get good Gallup poll results, Ellemann-Jensen said.

He was elected new Liberal Party chairman at the Liberal congress last September in a contest with group chairman Ivar Hansen with the expectation that he would do better than Ivar Hansen at "selling tickets" and guaranteeing the Liberals a clear profile in the government coalition. In other words he was expected to get a share of the new nonsocialist votes that have previously all gone from the Progressive Party and the other government parties to the Conservative Party of the prime minister.

SDP Paper on Feuding

Copenhagen AKTUELT in Danish 19 Feb 85 p 10

[Editorial: "Free-for-All"]

[Text] Is this a government we have or is it a showdown between the Conservatives and the Liberals? The Liberals are very critical of the Conservative part of the government and the disagreement goes further than shown by the prime minister's reprimands of the foreign minister, Liberal chairman Ellemann-Jensen.

The tensions can have something to do with the fact that Poul Schluter has been busily reaping the benefits of the "prime minister effect" for the Conservatives, but can such a divided government be strong enough to do what must be done? At this time the Liberals are attacking Transportation Minister Arne Melchior for his proposal on the Great Belt bridge. The Ringsted DAGBLADET strongly warned the Liberals against getting involved in the project, but the twist is that the attack was not aimed at Melchior at all, but at the head of the government! The Liberals have taken more direct action with the establishment of a party committee for the purpose of putting pressure on the government to pursue a "more nonsocialist policy." Liberal Anders Fogh Rasmussen will be the committee chairman with the function of supervising the Conservative members of the government.

The whole thing is turning into a free-for-all and grumbling can also be heard from the Christian People's Party and even in the support party, the Radical Liberal Party. But of course the worst thing so far is that the Liberals feel compelled to set up a committee that will officially try to pound in specifically Liberal viewpoints.

Liberals Seeking Stronger Profile

Copenhagen AKTUELT in Danish 20 Feb 85 p 10

[Editorial: "Liberal Fuss"]

[Text] Liberal member of Folketing Anders Fogh Rasmussen will now school himself in keeping his mouth shut--after the fuss about a Liberal committee designed to return influence from the Conservatives to the Liberals. Incidentally he does not regret what he said but feels that he was quoted out of context.

We recognize that old refrain. The fact is that Fogh Rasmussen said that the Liberal Party should now take the lead and "etch its profile." Or make a mark for itself. His party chairman reprimanded him for that and this was supposed to make everything all right. But it is not! Fogh Rasmussen was not walking in his sleep when he said those things. He was revealing what is brewing in the Liberal Party. And naturally there is a conflict between the winners, the Conservatives, and the losers, the Liberals. At the same time it is interesting to note how quick the nonsocialist papers were to lash out at the reeling Liberals. "As one of the Liberal Party's aging young lions he does not seem to be as flexible as Christophersen," POLITIKEN wrote about Ellemann-Jensen and BERLINGSKE TIDENDE, which admits to being Conservative, wrote a story about "fluttering hens," which noted that as a party leader Uffe Ellemann-Jensen "has not as yet, at least" shown the same authority as his predecessor. Yes, there is amber in the political sea. All sides are throwing out their nets.

CD Dissident Weighing Own Party

Copenhagen AKTUELT in Danish 21 Feb 85 p 2

[Article by Jens J. Krogh]

[Text] Copenhagen--The violent internal uproar in CD will probably lead to the formation of a new party.

After the exclusion last weekend of the two most prominent CD people in the greater eastern district, anger at party leader Erhard Jakobsen in particular is now so great that a break between CD and the majority of this district now seems unavoidable.

Around 30 dissatisfied CD members have been invited to attend a meeting this evening in the Bispebjerg Cultural Center, where the leading people in this affair, Kaj Asferg and Palle Johansen, will give their own account of the exclusion case. An account they were unable to give the CD party leadership.

It is expected that after the briefing this CD district will pause for a minute and then start a general meeting to form a new political party.

The acting chairman in the district, Claus Moller Rasmussen, admitted to AKTUELT that plans are being considered for the formation of a new party.

"We have applied to the Internal Affairs Ministry and we have received the necessary forms for the formation of a party. If a new party does come about it will probably receive the name of the 'Democrats' to underscore the fact that the word 'democrat' does not mean anything if one is a Center Democrat.

"A new party program would contain all the special issues CD has abandoned in recent years," Claus Moller Rasmussen said.

"A new party would reject bloc policy, it would stick to the original CD policy for single-family homeowners, lower housing taxes, lower income taxes and higher value-added taxes. In addition it would reject nuclear power and nuclear weapons on Danish soil," he said.

He told us that after the exclusion process against Kaj Asferg and Palle Johansen, there was a flood of protests from people who supported the two ex-CD members.

6578

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POLITICAL

GREECE

ELECTORAL CLIMATE: POLARIZATION, FANATICISM MAIN TRAITS

Athent TO VIMA in Greek 26 Apr 85 p 48

[Article by Nikos Dimou: "Foul"]

[Excerpts] If one is to believe the Greeks, nothing must intervene in the ritual of the elections. Everything must be postponed: work and programs, human relations and biological functions. This is the biggest derby, a five times more important final cup. Do most people know why they are struggling? I believe that the anxiety of the struggle has gone beyond the essence. The average Greek's psychic space needs a "thriller" to get filled up--and elections provide the ultimate thriller.

If we could only have elections every 6 months! This wish is not only expressed by printers and paper products merchants--but also, inwardly, by many Greeks who do not expect any economic gains.

Fanaticism has entered the rules of the game. There is a confrontation between parties, and if one does not scream, does not use nasty language, does not hit... what is he? An Englishman?

We play the game differently. We become fanaticized like the Dervishes. And our own intellectuals, who should be the first to oppose such a "soccer" match atmosphere, pick up banners and neck scarfs and enter the field screaming slogans even cheaper than those at the actual game.

What is happening? Are they susceptible to the general climate? Or is it, more likely, that they are attempting to influence events? Intentionally and coldly. The second explanation is rather the correct one. Because intellectuals are seldom influenced; they usually do the influencing. If this is the case at this time, then we are witnessing a planned crime, a murder in cold blood. The murder of truth. Because every concession to fanaticism, to hate, to ideological terrorism from someone who ought to know better is an unforgivable act. Especially today, especially in this country.

The symphizer shouting in the bleachers is only responsible to the extent that he knows and judges. The intellectual is 100 percent responsible, for himself and for those he influences. Therefore, when he, the intellectual, turns into a hooligan, what is the hope for this country? Such behavior leads only to the complete concealment of the truth. Elections are transformed into a formal

game of hewing the straight line and supporting it. The important things are the neck scarf, the color, the slogan not the essence. It is important to sit in the right bleacher, not to have the right opinion, which, of course, would never justify either the one or the other side. Truth has many aspects....

And it is usually found somewhere in the middle. But soccer fields don't have such a place. In a short time, it won't even even be found in political life.

CSO: 3521/247

POLITICAL

GREECE

TURKISH PEACE MOVES SEEN SUSPICIOUS

Athens ENA in Greek 11 Apr 85 p 13

[Text] Turkey's prime minister Ozal is waving the "olive branch" very persistently lately and this perhaps should give governmental experts and particularly the premier pause for thought. Not so much because Ozal's pacifism syndrome constitutes one of the well-known diplomatic bluffs at which Turkey is both adept and experienced. But because of the possibility that the Turkish premier's friendly overtures and his repeated offers for a dialogue have a dubious aim.

Which could be to exhaust the time limits the Turkish side may have set before it attempts something spectacular with, in fact, the excuse that its friendly overtures were rejected. Which may well be to Greece's detriment.

Suspensions regarding what could be lying behind those unreciprocated Turkish overtures have been confirmed now by information from diplomatic circles: at the beginning of the summer, which coincides with the elections, Ankara will be sending out "on a tour" of the Aegean either the "Sismik" or the "Piri Reis" or whichever of its seismographic ships it will choose to call by some other name. A tour aimed as a reminder that: "Here we are again and we are not forgetting the matter of the continental shelf which, with Limnos and the aerial space violations, were relegated to the background in the pending issues concerning the Aegean."

Is it possible that it was this information that prompted the leader of the official opposition, Mr. Mitsotakis, to appear before journalists and on television, to display an inclination for a dialogue with Turkey so as to forestall something, having in mind, indeed, that the next government might well be his?

It must be made clear at this point that the "information" concerning the "Sismik"'s impending sally was "leaked" before it was decided to hold elections in Greece at the beginning of June. Because, after that decision, Ankara's stance acquires a special and perhaps different political significance. A move of this kind before the elections could have a direct impact on developments by artificially prodding all the political forces to rally around the Papandreou government. And if the crisis were to escalate, it might even lead to a postponement of the elections. For those reasons, it is now thought very likely that Ankara may be reconsidering its stance.

However, independently of Turkish scheming, a dialogue appears to be necessary for other reasons as well:

First, because Turkey's insistence on initiating some kind of talks and Greece's refusal, in contrast, serve Turkey's international public relations in the last resort. While, on the other hand, they create the wrong impression that it is our country which is the intransigent litigant. Quite recently, the Turkish premier conferring with the American secretary of state, G. Shultz, supplemented his offers for a dialogue with a proposal for the signing of a "friendship pact" between Greece and Turkey. He said that such a pact would determine the procedures and mechanisms which would ease the solution of not only existing differences but of any that might arise in the future. He added that, in that pact, we can mutually guarantee the inviolability of today's legal borders. No one knows, naturally, what "the two nations' legal borders" are according to Ozal. But this remains a proposal that betrays a brilliant diplomatic maneuver, which will now make the Greek government appear to be unwilling to guarantee the inviolability of... Turkish borders even if it had never held them in any doubt.

Second, the condition A. Papandreou sets for a dialogue, namely, the withdrawal of Turkish troops from Cyprus, disappears within the unresolved meaning of the question of "Which came first, the chicken or the egg?"...

Finally, a third reason which makes a dialogue necessary under the present circumstances is the loss of Greek credibility among the American element. Up to a few months ago, there were the "hardliners" in the Pentagon and the "conciliatory ones" in the State Department, in the American capital. A month ago their paths crossed, regarding the Greek "case." Greek-American senators refused to speak in favor of American aid to Greece and of its extent. While American representatives, whose declarations formerly triggered the anger of the Greek government, tried to convince congressmen of the significance of the Greek alliance. How can one believe, after all this, that Washington could lend the same "sympathetic ear" to Greek demands as to Turkish ones?

Greek-Turkish differences may be entering that phase at which, more than ever before, our country has to remember the saying that the wolf "has a strong back because he performs his own tasks..." And it may also be a time when an attempt to improve Greek-Turkish relations should start with the advice from the vastly experienced former president of the republic, K. Karamanlis: first overcome mutual distrust...

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POLITICAL

GREECE

PERSPECTIVES ON PASOK PERCEIVED ANTI-AMERICANISM

Athens I KATHIMERINI in Greek 3 May 85 p 7

[Editorial: "Small Vendors of Anti-Americanism"]

[Excerpts] Why does the PASOK react so spasmodically whenever mention is made of any ties to anything American? Does it have reason to fear such mention? Does it have anything to hide? Is it concerned that something will be revealed that will expose it?

It has been mentioned recently and by many sources that the PASOK is using U.S. advisers in its electoral campaign. As if it had been accused of narcotics trafficking, the PASOK has hastened to cleanse itself by stating that whatever had transpired was "mudslinging by the right, which has also been adopted by the KKE." It has also said that "it did not seek, does not need and does not want advisers from abroad," and it has accused the ND of calumny, calling on the KKE leadership "to explain its goals to the people." Why is the PASOK reacting with so little cleverness and so much concern whenever its American "ties" are mentioned?

It is well-known that no Greek Government so far had as many members and had used as many officials educated in the United States as the present one. First and foremost, its prime minister, who made his career in the United States, preferred to serve in the U.S. military, has an American wife and whose family held, at one time, U.S. passports.

Besides the prime minister, many others studied and made their careers in the United States, many had even obtained U.S. citizenship or were working for the U.S. Government before deciding to return to Greece to save us through their Third-World socialism, in the ranks of which they were inducted during the intervals of their American prosperity.

Of course, an explanation of this intense "anti-Americanism" of all these U.S.-educated people could be provided by the old adage that the recipient of bounty must hate his benefactor. Another explanation, that stems from psychopathology, is the sense of guilt, followed by concealment. Still another explanation, less scientific and more... neo-Greek, is provided by the new concepts of political morality and the new rules for partisan politics brought by the PASOK returnees, who applied them faithfully during their years in power and are

still applying them in their electoral campaign. Concepts and rules that can be summarized in the sentence: anything is permissible as long as it serves what is considered the partisan interests of the moment.

The PASOK's anti-Americanism must be seen in this context, and this rule explains the particular sensitivity of its leadership when issues such as U.S. advisors in the electoral campaign arise. And this is the attractive merchandize that its propagandistic small vendors are purveying in those areas where consumption is advantageous.

It is indeed a pity that the PASOK's returnees did not bring back even a few of the elements that characterize the political life, the partisan morality and the government regulations of those democratic countries where they studied, worked and lived, and which they abandoned to come save us. They did not bring back such things, but instead, they exhumed from old cemeteries of our political struggles principles and mores that we thought were definitely buried, using them to govern and to lower the morality of our political scene to levels we had forgotten.

This low political morality will surely remain the main characteristic of the PASOK parenthesis. Its typical product are the small street vendors of anti-Americanism.

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POLITICAL

GREECE

BRIEFS

SARTZETAKIS' AIDE'S BACKGROUND--The director of Mr Khr Sartzetakis' military office has had very "adventurous" military assignments until now! From the Military Administration of the Port of Piraeus, a somehow "disaffected" unit following the change in the government, Mr Vas Tsagris found himself at the head of the then YENED [Armed Forces Information Service] and after that, he became assistant director of the KYP [Central Intelligence Service]; having been reassigned, he returned to this position after the personal intervention of the prime minister, only to be reassigned after a brief period to Mr Sartzetakis' office. The former PAK [Panhellenic Liberation Movement] member who was in charge of military affairs left an excellent impression in his every position, according to the persons who worked with him. He was a very careful officer who never overstepped the bounds and this is the reason why his assignment at the KYP had surprised some, who had insisted at the time that the former PAK member was not suited to that job! [Text] [Athens I KATHIMERINI in Greek 21-22 Apr 85 p 18]

REASONS FOR OVERFLIGHTS--Neither the training exercises of our well-known flying radars (the AWACS aircraft) nor the various maneuvers by the Soviet TUPOLEV plane over, but mainly around, the Aktion-Larisa-Tanagra region, were coincidental. In spite of government statements to the contrary, all these movements had their reason and their cause. Specifically, and according to Western diplomatic sources in Athens, there was reliable information that Albanian leader Enver Hoxa was dying and that various suspicious activities had been noted concerning an intervention in Albania. The Americans and NATO thought they should keep their eyes open and therefore increased the frequency of the AWACS' flights and exercises, but did not inform the Soviets. They, in turn, sent the passenger plane "by mistake," to find out what was going on in that corner of Southern Europe. And the Greek Government was feigning complete ignorance.... [Text] [Athens POLITIKA THEMATA in Greek 19-25 Apr 85 p 10]

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POLITICAL

ICELAND

COMMENTS ON ACCOMPLISHMENTS OF INDEPENDENCE PARTY CONGRESS

Reykjavik MORGUNBLADID in Icelandic 23 Apr 85 p 9

[Commentary by 'Staksteinar': "The National Congress, from the Northern Icelandic Point of View"]

[Text] Tomas Ingi Olrich, a high school teacher and the editor of the newspaper ISLENDINGUR in Akureyri, has written an editorial column on the national congress of the Independence Party, which today's "Staksteinar" discusses in part. It is especially noteworthy to see how the national congress of Independence Party adherents has been observed from the northern Icelandic quarter.

Undercurrent of Conservative Responsibility

The weekly newspaper ISLENDINGUR said in a recent editorial column under the headline, "After the National Congress": "The national congresses of the Independence Party have always been characterized by unique political conditions, both inside and outside of the party. The size of the party and the conflicting interests of the very different economic blocs in our society makes the congress into an even more unique phenomenon in which serious collisions of opinion, and what amounts to straightforward changes of opinion, reveal to us deep rifts in significant issues. But however fierce the confrontations, however high the tidal waves become, there always remains a deep undercurrent of conservative feeling and responsibility, clearsightedness and eagerness for compromise.

"This strong force for negotiation is a sensitive issue whenever there is a disagreement regarding the party leadership. But now the time is past when a national congress of the Independence Party might diffuse its energies in taking care of a split in its leadership or divided loyalties among its MP's. The party stands unanimously behind its chairman, supporting him in his position on the government. The most obvious result of the recent national congress is that Thorsteinn Pálsson has attracted a sizeable support group, enjoying its absolute trust.

Position on Government

"The Steingrímur Hermannsson government had the support and the trust of Independence Party supporters all through its first year. But its wings became rather clipped last year. This was due, of course, to the growing dissatisfaction among Independence Party supporters regarding the management of the economy--which the government had actually been elected to deal with--over and above all other issues.

"The national congress has not given the Steingrímur Hermannsson government any kind of ultimatum. On the contrary, it has become clear that the Independence Party will be weighing and measuring the actions of the government in the light of the general desire, which became apparent at the national congress, for a clearly defined plan of action. The agenda which was agreed upon at the national congress, which was prepared by 140 young Independence Party representatives, bears witness of new modes of action and of the demand, which will not be silenced, for more realistic political attitudes. The agenda have been clearly meant to be relatively simple in structure and clearly worded, and will thus be appropriate as a guiding light in politics as well as a yardstick to be held against future progress. This agenda also bears witness to a full understanding of the role of agriculture in our Icelandic national economy, taking a position without hesitation relative to the currency issue.

Second Result of the Congress

"It is no secret that certain forces inside the Independence Party have considered it an unbreakable law of nature that our agriculture and our export industries serve our capital city and our importation service. The national congress of the Independence Party demonstrated that this mistake will not be made, relative to how powerless these forces are. Among the Independence Party supporters in Reykjavík, there is a deep understanding of the economic inequality and dependence which the agricultural sector has had to struggle with, and the way it has been ignored and subjected to open tyranny in economic matters. This understanding has grown considerably, thanks to the chairman of the party, the Icelandic Union of Service Professions and influential individuals working with labor issues within the party. "We can actually say that the second most important result of the national congress of the Independence Party was that the agricultural sector has greatly benefitted from it. This became most obviously apparent in the election for the party's central committee. That election brought together the considerable support of the delegates for David Oddsson, the mayor of Reykjavík, and the general support for the delegates from the rural areas. Einar Guðfinnsson, of Bolungarvík, received considerable support in the central committee election. Furthermore, three new delegates from the rural areas were elected to the central committee, i.e., Gunnar Ragnars, Sigurdur Einarsson and Erlendur Eysteinnsson. It is a special

pleasure for the eastern Northland precinct to see how general support was shown at the national congress in favor of having Gunnar Ragnars on the central committee."

This is how the national congress of the Independence Party and what happened there looked to Tomas I. Olrich, the editor of ISLENDINGUR. It is certainly correct of him to notice that the most important goal of the meeting was to accommodate that "deep undercurrent of conservative feeling of responsibility, clearsightedness and eagerness for compromise."

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POLITICAL

ICELAND

PRIME MINISTER DENIES PROGRESSIVES WILL LEAVE COALITION

Reykjavik MORGUNBLADID in Icelandic 23 Apr 85 p 38

[Excerpts] There is no danger that the government will be breaking up because of the way matters are being managed in the Althing, according to Steingrimur Hermannsson. He also said that he did not intend to have the Althing in session longer than the end of May.

There was a very definite movement in favor of the coalition at the general meeting of the central committee of the Progressive Party last weekend, according to party chairman Steingrimur Hermannsson's statements at a press conference yesterday. He said he could not recall that a single vote had been cast in favor of the Progressives withdrawing from the government. When asked, he said that he did not see that there was any danger of government dissolution because of the fact that the big issues would not be brought up in the Althing by this spring. On the contrary, he said, we could expect "more direct and honest behavior" out of the Althing. On the other hand, he said that a number of big issues might be coming to the forefront in connection with discussions with representatives from the labor movement in the coming months, and this would involve attempts to get the governing parties involved.

In addition to Hermannsson, the press conference was attended by Halldor Asgrimsson, vice-chairman of the Progressive Party, and Haukur Ingibergsson, general secretary. Hermannsson said, among other things, that the major part of the meeting had been spent discussing new developments for the labor front, and that the major part of the political resolutions drawn up were in relation to these issues. The resolutions indicate, among other things, that the Progressive Party thinks that it is the right time to take the next steps to support those firms that represent new developments in labor and which sell their

products abroad. The steps were elaborated as including the following: export duties and sales taxes on the base price should be done away with; income tax should be done away within five years; that sales taxes and price equalization tax on electric power prices should be similarly done away with; and that, by means of direct tax reduction and/or corresponding grants from the national treasury, further research and development activity in these firms should be encouraged. Hermannsson was also asked what results he expected regarding a national negotiation in the fall with representatives of the labor market. He said that he would like to see agreement achieved on this, since it had been said by very many people that it was a sure thing that inflation was going to continue to go down; and that--looking forward to next year--equilibrium should be achieved in monetary matters, that we should reach balance in our economy; and also that the trade deficit should be diminished by a considerable amount. On the other hand, an improved standard of living has not yet been effected, although it has been thought to be within reach, at least in connection with the improved status of our fishing industry.

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POLITICAL

ICELAND

PAPER COMMENTS ON FOREIGN MINISTER'S POLICY STATEMENTS

Reykjavik MORGUNBLADID in Icelandic 18 Apr 85 p 34

[Editorial: "Open Discussions on National Security"]

[Text] The vast majority of the Icelandic people steadfastly support our policy in matters of security and defense. The foundation of this policy is our participation in the defense agreements of the Western nations, in NATO and in our defense agreement with the United States. Even within the ranks of the People's Alliance Party, which has been a battlefield of anti-defense reactionism, we find an increasing understanding of our membership in NATO.

Foreign Minister Geir Hallgrimsson has attempted, during the past few seasons, to impose an independent character on individual aspects of our defense cooperation and the "military situation" that we have to live with as a result of Iceland's location on the planet and the escalation of military preparations in the world. The Defense Issues Office of the Foreign Ministry has particularly been involved in this. They have had to deal with more sensitive tasks than the Defense Issues Committee, drawing on the advice of specialists with military and military/technological training and experience.

The foreign minister has continually attempted to initiate widespread, issue-oriented, and honest dialogue on matters of security. Extensive and complex reports to the Althing on foreign affairs, cooperation with foreign affairs committees from the Althing and the various parties, and unequivocal responses to the questions of various MP's and reporters, bear witness of this. The result of these discussions has been a more widespread and stronger support of our stated policies in defense and security matters than we have ever seen before.

Clear examples of this unequivocal discussion could be observed in the query session of the combined Althing last Tuesday. During that session, Geir Hallgrimsson responded to questions regarding our defense cooperation policy. Among the remarks he made in his responses, the following are worth mentioning:

--It is a definite policy of this government that nuclear weapons shall neither be brought onto Icelandic soil nor into Icelandic territorial waters without the approval of the Icelandic government.

Permission has been granted for the renovation and supplementation of the fighter planes at Keflavik airport, resulting in a total of eighteen planes instead of twelve.

--The permission that was granted for the construction of reinforced hangars at Keflavik airport went into effect in June 1983; permission for a third additional hangar was granted in November of last year.

--Port construction in Helguvik will begin this year, and the construction of an oil storage facility will continue.

--It is likely that the construction of a new administrative building at Keflavik airport will be on the developmental agenda for 1986.

--Plans have not been drawn up yet for the construction of new airstrips, but according to the agreements on new airport construction, airport roads, access roads, and driving roads for airplanes will be built, with the United States paying all expenses.

--No plans have been made as yet regarding the radar observation stations. They would not be profitable in the northern regions, for technical reasons.

Two MP's of the People's Alliance Party, Steingrimur J. Sigfusson and Svavar Gestsson, tried to hide themselves behind the old "Iceland out of NATO" watchword; but it was all in vain from the start. Sigfusson even found himself obliged to thank the foreign minister for his clear and unequivocal answers.

People with differing opinions on defense and security matters mostly agree that Foreign Minister Geir Hallgrimsson has maintained the same policies on everything that he had in the beginning. The discussions regarding this important chapter of independence and security in our nation's history have never been more open. Preparations have continued to be made such that we can exercise our independent agency regarding our defense resources.

What is most important, though, is that those older people--those who can remember the time in the forties when insufficient defense preparations on the part of the democratic nations opened the floodgates of the last world war--maintain their vigilance; and that the younger ones, who belong to more recent decades, be able to learn from the mistakes of times past.

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POLITICAL

ICELAND

CONSERVATIVE NEWSPAPER ASSESSES INDEPENDENCE PARTY CONGRESS

Reykjavik MORGUNBLADID in Icelandic 21 Apr 83 p 36

[Editorial: "On Coalition"]

[Text] The current coalition government was a topic of discussion at the national congress of the Independence Party one week ago. It was concluded that attempts should continue to be made to see if agreement could be achieved with the Progressive Party on those issues that would be of benefit. The coalition is still under discussion this weekend--this time, among the adherents of the Progressive Party. Prime Minister Steingrímur Hermannsson gave an evaluation of the coalition in the keynote speech of the general meeting of the central committee of the Progressive Party on Friday, saying the following, among other things: "The main thing is to work towards a healing process, to try to come to some agreement as regards our differing opinions. Mostly we have succeeded in doing this in the current coalition, and it is my hope that this trend will continue." The prime minister also re-emphasized his previous observation that a new wave of inflation would be highly dangerous to this government. It is worth noting how much of Steingrímur Hermannsson's speech was devoted to the internal issues of the Independence Party. What people had expected instead was that he would evaluate the status of the Progressive Party, which currently is having a hard time even showing up as a statistic on the opinion polls. The Progressive Party following has diminished drastically and continuously. There are no indications that they have increased their following in the most populous areas of our nation, since they have only one MP remaining there. The issue which the prime minister said had caused the greatest difference of opinion between the governing parties was the policy on interest rates. He indicated that the Independence Party favored the free determination of interest rates, whereas the Progressives thought that it was not the right time for this. However, the prime minister made no suggestions for changing the system which is currently in operation. If we examine the results of their national congress, it becomes clear that what the Independence Party wants is that our interest policy ensure that people with savings accounts will reap an actual profit; that there will be no deviations from the limited freedom which has been created in the money market; which would mean that domestic savings would be shored up and the need for foreign loan money brought down. With this

policy in mind, it becomes apparent that there is no real difference of opinion regarding the main policies of the two parties on interest rates.

The prime minister said that he considered that Thorsteinn Palsson's descriptions of the efforts of the Independence Party on most of the important government issues were in fact necessary efforts to beat the Independence Party into shape as a unit. And the prime minister later explained that the steps taken against inflation at the beginning of the coalition had been suggested by the Progressives, and that open attempts to solve the election disagreements were in accordance with "our Progressive policy of treading carefully, rather than of freethinking." Was this said with reconciliation in mind? The Progressives have sat helplessly in the inflation governments ever since 1971. There was no change effected until the Independence Party came into the government in May 1983. No politician has put more emphasis on straightening out our national economy in the last few seasons than Thorsteinn Palsson has.

If we look at Steingrímur Hermannsson's speech closely, relative to the big issues which characterize the current political campaigns, it becomes clear that the difference between the governing parties is limited to two issues only: the defensive position of the Progressive Party relative to the Union of Icelandic Cooperatives, and the emphasis put by the Independence Party on increased freedom of action in as many sectors as possible. Steingrímur Hermannsson considers the Union of Icelandic Cooperatives the "healthiest union in the country," but Thorsteinn Palsson thinks that the Independence Party ought to combat the power drives of the Union and its associates. The Independence Party would like to see laws made against monopolies and trusts.

The prime minister suggested in his speech that the government would present proposals in the next few days covering a number of issues, with the goal of accomplishing various tasks which are agreed upon by both parties. Many of these tasks have been in the works for some time. Thorsteinn Palsson emphasized in his speech at the national congress that efforts on those issues that had been previously agreed upon had been set in motion, and that the Althing would not be closed for the spring until these proposals had been dealt with. The Independence Party members, for instance, would like to see the repeal of the government monopoly on radio operation passed this spring, although the prime minister did not mention this in his speech. There is an obvious difference in the speeches of the chairmen of the two parties as regards a direct approach to the issues. It is likely that this difference will become even more obvious in the next few weeks in the Althing, when these issues are dealt with.

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POLITICAL

ICELAND

NEWSPAPERS GIVE VIEWS ON INDEPENDENCE PARTY CONGRESS

Reykjavik MORGUNBLADID in Icelandic 17 Apr 85 p 9

[Commentary by 'Staksteinar': "Papers Full of Criticism of National Congress"]

[Text] The Icelandic nationalized media and the daily newspapers have been full of criticism aimed at the national congress of the Independence Party over the last few days, just as might be expected on the occasion of the meeting of the nation's single largest political bloc. There are definite suggestions of envy, though, in the leftist newspapers, particularly in the editorial columns. Today's 'Staksteinar' takes a minute to examine the editorial columns of a few newspapers as they comment on the national party congress.

Two Editorial Columns from NT

NT has covered the national congress of the Independence Party in two editorial columns, both yesterday and the day before yesterday, as well as in random corners in their complaint columns.

The other day, NT's editorial column said the following:

"The national congress itself was weak and ineffective, insofar as we noticed, both concerning the chosen subject matter as well as how it was interpreted. The final decisions had to do with various national affairs, and no attempts were made to bind the hands of the sundered party oligarchy in any way."

Yesterday, on the other hand, NT said the following:

"And so the peaceful national congress of the largest party in Iceland has come to an end. As might be expected, the party's foundations have been strengthened, its policies have been clarified, and its fuel supply has been built up. Those young men who hold positions in the formal leadership of the party are to be congratulated upon being reelected, but it is to be hoped that they will be able in the near future to turn their attention to something other than the inner workings of their party. If the Independence Party intends to continue in competition with the newer parties, it will have to work towards re-

placing the current leadership to some degree."

Weather Trends and the Labor Movement

The editorial column in yesterday's THJODVILJINN said:

"The party publications from the Independence Party have tried mightily to create the illusion of suspense and anticipation, but it has all been in vain. The Independence Party has made our unpopular bourgeois government an offer to keep up its work in the same spirit as it has up to now. The delegates from the rural areas and the lobbyists for the support professions were disappointed after this meeting, which ended with the resolve to continue to allow capitalism alone to determine human development here in Iceland. Interest rates are to be allowed to continue at their crazy pace, just as they have been doing.

"It was emphasized at the party's national congress that the continued program of the government would be based on discussions involving the government, the union of service professionals and the labor movement. This means that the labor movement will be determining the wind direction in our society in the near future. And, just as Thorsteinn Palsson said in his keynote speech at the national congress: The wind direction influences the crops."

This editorial's emphasis on the labor unions is remarkable. The author clearly does not expect much from the MP's of the government opposition parties, as would be expected. On the contrary--he demands that the labor movement supply the revolutionary factor.

Total Efforts Towards Governmental Cooperation

ALTHYDUBLADID said:

"The national congress of the Independence Party underscores the powerlessness of the largest political party in our nation. Despite much opposition towards the government, and the development of national issues within the party, the party's conclusions still maintain that total efforts should be spent on governmental cooperation; that things should continue to proceed rather as they have in the past. . .

"The man in the street has had more than enough of this government. The national congress of the Independence Party, on the other hand, is very seriously out of step with the moods of the vast majority of the people, and wants to keep its death-grip on what amounts to nothing at all, namely, hopeless governmental cooperation. A miserable conclusion for a tired and worn-out party."

Who Determines the Course?

The editorial columns of DV [DAGBLADID & VISIR] included the following:

"The young men made some gains, as they expected to. The proposed agenda was agreed upon, and was referred to the party's MP's for execution. Various items were included on that proposed agenda that ought to be followed.

"The profit motive, for instance, will be the controlling factor in economic matters, rather than the negative-oriented 'support policy' of the politicians who support paying for everything. Private ownership and operation will be given more elbow room. Prices will be as freely determined as possible. Radio broadcasting will be given real freedom. We have mentioned here just a few of the items which might run aground as a result of the opposition from the Independence Party's colleague in government, the Progressives. But Thorsteinn Pálsson emphasizes that no 'final choices' have been made. First, they have to get through all the negotiations and horse-trading, though.

"Actually, whatever happens will be determined by what person or persons end up being in charge in the Independence Party. Will it turn out to be the chairman and the vice-chairman who will be newly endowed with the mandate of trust at this national congress? Or will it continue to be that group of ministers and MP's that has been prominent in the past that will end up carrying the torch?

"If the second option is the one that wins out, then the Independence Party will not have much to cry over, about its national congress. . ."

This is what the reaction has been in the newspapers--each from its own quarter. What remains is the fact that the national congress has driven home the fact that the Independence Party holds the majority of the governing power in Icelandic politics. That governing power wants to see efforts exerted towards steadfastness and farsightedness.

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POLITICAL

ICELAND

FOREIGN MINISTER ON 'NUCLEAR' PORT VISITS, BASE IMPROVEMENTS

Reykjavik MORGUNBLADID in Icelandic 17 Apr 85 p 4

[Text] "It is a definite policy of the current government," Foreign Minister Geir Hallgrimsson said in a speech to the Althing yesterday, "that nuclear weapons shall never be deployed here in Iceland. This applies equally to ships in our Icelandic territorial waters. It is illegal for warships bearing such weapons to enter our territorial waters or to anchor in our harbors. I shall continue in this policy from this day forward, just as I have in the past," Hallgrimsson said.

This was the foreign minister's response to Steingrimur J. Sigfusson (People's Alliance), who had asked particularly about this issue. The foreign minister said that honest discussion about security matters was a necessary thing. Sigfusson thanked him for his answer, which he said was clear, unconditional and impartial.

The foreign minister also answered questions from the same MP concerning improvements in our defense facilities. His answers included the following statements, among others:

--"As was announced in the report to the Althing concerning foreign affairs, the Foreign Ministry has approved the renovation and acquisition of fighter planes, increasing the number of planes from twelve to eighteen. This decision was announced within the government. It was also made known in the smaller report concerning foreign affairs from last year.

--"Authorization to build reinforced hangars numbers 4 through 9 was granted in June 1983. I have granted authorization (last November) such that construction improvements on hangars 10 through 13 will begin next summer.

--"Authorization has been granted to begin construction improvements on the second construction project in Helguvik, which involves the construction of a harbor, as well as on the third project A, which involves the construction of a 19,000 cubic meter oil storage facility.

--"The Foreign Ministry has received plans for a new supervisory facility at the Keflavik Airport. We are aware that the Americans would like to see this construction included in our projected constructions for 1986.

--"There are as yet no plans for the construction of new airstrips. But in the agreements between Iceland and the United States concerning the construction of airport facilities, improvements are mentioned regarding the construction of airport roads, access roads, and airstrips, before the airport constructions are opened up for use in 1987. The United States will pay all costs for these improvements, which are estimated to amount to 40 million dollars."

--The foreign minister said that he had not heard the current ideas concerning the proposed radar observation stations, which for technical reasons cannot be constructed in the northern districts, since the northern lights interfere with their operation.

Then the foreign minister announced, in a response to Svavar Gestsson (People's Alliance), that it was still under discussion as to whether the construction in Helguvik would be under the jurisdiction of the Foreign Ministry, as part of our defense program, or whether the Ministry of Transportation would be taking charge of it.

The foreign minister referred to the detailed report that he had presented to the Althing concerning all aspects of our cooperation in defense with the Western nations, and said that it was important that all aspects of these matters be treated in open and honorable discussions and negotiations. He said that it was necessary that the Althing, the foreign affairs committee and the nation at large be informed of each aspect of these important issues.

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POLITICAL

ICELAND

PAPER ON INTERNATIONAL ATTENTION REGARDING 'NUCLEAR' BAN

Reykjavik MORGUNBLADID in Icelandic 19 Apr 85 p 28

[Editorial: "Nuclear Weapons on Ships"]

[Text] Foreign Minister Geir Hallgrimsson's announcement in the Althing last Tuesday that the Icelandic government's ban on nuclear weapons would also apply to ships has caused real, if mistaken, concern abroad. Not much time has passed since the government of New Zealand was in the limelight because of disagreements with the United States government concerning port bans on nuclear ships, meaning those carrying nuclear weapons on board. Geir Hallgrimsson has stated that his words had nothing to do with the New Zealand affair, and that the Icelanders, on the other hand, follow the same policy in this matter as do the Norwegians and the Danes.

Arne Olav Brundtland, a Norwegian specialist in security and defense matters, as well as the past author of a column in MORGUNBLADID, explained the Norwegian position as follows in his article of 28 March: "It is the opinion of the Norwegians that it is undesirable that ships coming into Norwegian harbors bear nuclear weapons on board. The Norwegians of course demand that this wish be honored; but the authorities do not permit us to examine the ships. This policy hinders, for example, any visits from submarines bearing long-range missiles; but it does not result in the level of vigilance that it demands. On the contrary, it is clear that this policy draws no sharp lines of demarcation."

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POLITICAL

ITALY

PCI'S TEDESCO INTERVIEWED ON SRV VISIT

Milan L'UNITA in Italian 1 May 85 p 8

/Interview with PCI Directorate member Giglia Tedesco by Renzo Foa; date and place not given/

/Text/ What overriding image have you brought back from your visit? This was my first question to Giglia Tedesco, member of the PCI directorate and senate deputy speaker, who 2 months ago headed a delegation on a visit to Vietnam, when I discussed with him the 10 years that have passed since the liberation of Saigon.

Tedesco: The image of a notable effort of reconstruction, of a utilization of every kind of energy, though with discrepancies between North and South. These discrepancies exist not so much in the economic and social fields as from the viewpoint of the level of social cohesion and consensus. This is the most pressing issue in the immediate term.

Foa: So, 10 years on from the liberation of Saigon, is there still a situation of detachment in the south?

Tedesco: Yes, there is a sharp difference, which has distant causes dating back to the era of French colonial rule and also more recent, specific causes in the repercussions of the war and the kind of regime that existed until 1975....

Foa: But what has been done over the past 10 years? Reforms have been carried out--correct reforms, small and medium projects to try to heal the political, social and economic wounds of the war. But at the same time there have been many episodes that have shown that these wounds are still open. You spoke with a great many Vietnamese leaders: What do they say? How do they explain the past 10 years? What successes do they boast?

Tedesco: First, I must say that I encountered extreme sincerity on the part of both national and local leaders: They do not try to pretend to you that things are easier or better than they are. The same as here, I found there that all the articles and analyses devoted to the 10th anniversary in Vietnam placed the emphasis on the difficulties of the South. And at the same time I also found an effort to try to understand the specific nature of the situation in the South, where rates of development and ways of organizing life cannot be

the same as in the North. This seems to me a political and cultural success because in practice it becomes a way of governing--but with the following limitation: All the pluralism and the multiplicity of forms of political and social representation that emerged during the liberation struggle, particularly within the Front organization, have now been largely eliminated and are not reflected in this society, which presents an image of political homogenization.

Foa: Did you meet with representatives of the old "third force"?

Tedesco: No, I headed a party delegation and basically had party contacts. From these contacts, however, it is clear that the issue of the "third force" is now a marginal one.

Foa: Let us return to the first question: What successes do Vietnamese leaders boast?

Tedesco: They talk above all about the experience of the "new economic zones," that is, about an idea of production, of development that will serve to reduce the congestion of urban areas, especially old Saigon, whose abnormal scale was due to a certain kind of colonial life which disintegrated when the social system changed.

Foa: This is one of the major unresolved problems, because as far back as 1975 an attempt was made--it lasted some years--to return people to the countryside, and it was an attempt which failed.

Tedesco: This is precisely the innovation: It is not a return to the old activities abandoned during the war, but the realization of agroindustrial projects, albeit on an extremely rudimentary level, which will serve as an encouragement. Moreover, it is now clear that the issue can be resolved only by means of consensus, by offering acceptable alternatives.

Foa: In January 1979 Mrs Nguyen Thi Binh, known worldwide during her time as foreign minister of the South's Provisional Revolutionary Government, told me: "We did not believe it would be so difficult." She was obviously talking about governing her country, especially the South, after the war was over. Did you hear any similar confessions?

Tedesco: I heard the Ho Chi Minh city party leaders place a great deal of stress on another concept: "If we were to start over, we would not do many things that we have done."

Foa: What things?

Tedesco: They expressed the realization that the model of the North cannot be automatically conveyed to the South; and also that the nation's cohesion--which was crucial in the long liberation struggle--is insufficient for the purpose of building social and political hypotheses for the South. With all the real problems deriving from this, starting with the fact that the entire basic leadership nucleus is still the same as during the liberation war, not only at the center but in the provinces too. It is not that these cadres are

unable to adapt to innovations--a similar issue arose for us too in Italy after 25 April; but I believe that the problem of providing a contingent of representatives to represent the complexity of the South has not been resolved.

Foa: Basically your impression is of a Vietnam that over the past 10 years has not broken free from all the major historic problems on which, by some unwritten law, national and socialist revolutions founder....

Tedesco: ...Especially in former colonial countries....

Foa: ...Yes, in the Third World, where they are forced to grapple with the basic issue of food, health, education, social reintegration, without managing to look beyond the trench of survival.

Tedesco: This is the level of the problems, though it seems to me that Vietnam has already moved on somewhat from the line of survival. The Hanoi government has, very deservedly, received a UNESCO prize for its literacy campaign. Major steps forward have been taken in the health field too. And, judging partly from statistics, the most serious food problems seem to have been overcome. This does not alter a problem which is not Vietnam's alone and which I witnessed at first hand: These Third World countries cannot make it on their own and need large-scale international aid and cooperation.

Foa: This leads to the question of international influences and of the options which Vietnam has taken since 1975. Let us leave aside the issue of cooperation for the rebuilding and development of the country. Let us talk about Cambodia and China. After another decade of tensions and conflict did you see any signs of a reconsideration?

Tedesco: Partly yes, partly no. More no than yes. I will tell you why. With regard to Cambodia, the Vietnamese leaders stress the fact that the problem is basically solved. When they say that, however, they are referring only to one aspect of the issue, the military one. From this viewpoint, their assessment reflects real conditions. But if you ask them whether there is not an unresolved political problem, they admit that there is.

But it is difficult to assess to what extent the issue is considered resolved and to what extent, on the other hand, the contrary is recognized, because there are indications in both directions. I was struck by the fact that in January there was a proposal from the foreign ministers of the three Indochinese countries for an international conference, to which one must add--in contrast to the understandable rigid rejection of Pol Pot's Khmers Rouges--an opening up toward the sector represented by Sihanouk. This was discussed publicly, and at our meeting with him /Vietnamese Communist Party General Secretary/ Le Duan even said: "Sihanouk would make an excellent president of the Cambodian republic." This is unquestionably an important move toward flexibility. I have the impression, however, that on the whole there is an underestimation of the international value of a political solution: It is not just a way of describing Cambodia's domestic situation in a positive way but also a way of restoring Vietnam's dialogue with the world. It is not clear which element was prevalent in this underestimation, but I believe that the crisis with China is the main influence here.

Foa: How does Hanoi see the future of relations with Beijing?

Tedesco: First, I want to point out that we discussed the issue very frankly. The theory that we encountered is this: China has a hegemonic objective as regards us, and we reject this; we do not agree to forming part of a sphere of Chinese influence. Thus far I consider it a correct rationale: I do not see why Vietnam should recognize the principle of forming part of a sphere of influence. It seems to me, however, that behind this refusal there lies another-- the refusal to recognize a Chinese role in the world, especially in Asia. I believe it is very difficult to imagine the establishment of a stable order in Southeast Asia while ignoring the issue of relations with Beijing or approaching it with complete skepticism.

Foa: Earlier you cited a comment by Le Duan concerning Sihanouk. I do not want you to violate diplomatic reserve, but I would like to ask you what the Vietnamese Communist Party general secretary told you about China.

Tedesco: Le Duan talks figuratively a great deal. Imagine: He proceeded from the damage done by Confucius. Asked whether or not there will be a rapprochement with China, he replied: It is destined, there will certainly be a rapprochement. He says this while setting everything within the context of the grand course of history. He also said of China that it is a huge country with an immense population and that therefore it is obvious that there is an expansionist thrust. He recalled his lengthy friendship with Mao and cited the following episode: "One day Mao asked me: How many inhabitants does Laos have? I replied: 3 million. He said: Well, I could almost send the odd 50 million Chinese peasants there." He drew the following political conclusion: Historically, these thrusts are understandable, but we are unwilling to take orders from anyone.

Foa: Is no different assessment made of the Chinese "New Course"?

Tedesco: No, in fact the tendency is to emphasize a continuity. In our meetings we pointed out that many things are changing in China. They reply: Yes, it is true, but until they show us in specific deeds that they are changing their attitude toward us we will not alter our stance.

Foa: Do they believe that an improvement in Sino-USSR relations could exert a positive influence?

Tedesco: There is much skepticism here too. They say that they will be pleased if relations between China and the USSR improve, but that it cannot alter the particular problem of relations between China and Vietnam.

Foa: It is as if they considered Southeast Asia rather like an island cut off from the rest of the world....

Tedesco: On the whole there seems to me to be an underestimation of the impact on the international situation and of the possible beneficial effects that East-West and even East-East detente could have, both with a view to finding political solutions to the crises and in the equally important sphere of the struggle for development.

Foa: Here there is a rift. I would say almost a gulf, between the Vietnam we knew during the war years and the Vietnam of today. At that time Vietnam regarded what was going on throughout the world as decisive--and not only as far as the war was concerned. I remember that in summer 1972, even before the Paris accords, that the future of peace, of rebuilding and development were viewed on the basis of almost a planetary blueprint. Thought the linchpin was cooperation among the Indochinese countries and all the countries of Southeast Asia, relations of cooperation with the USSR and China but with the West too were also considered crucial. In other words, a plan of political engineering had been drawn up of which no traces now remain. This seems to me the crucial reason why the peace of the past 10 years has been so different from the way we all imagined. Why? How much of the blame lies with Vietnam? How much blame lies with those who in 1975 cut off aid to a country devastated by 30 years of war?

Tedesco: First, there was an element of what I would call meanness on the part of the West as a whole. The Vietnamese leaders draw a distinction in their assessment--toward the United States there is a harsh reproach for having failed to honor its pledges, agreements concerning not so much compensation for war damages but proper aid in rebuilding. Toward Europe the emphasis is placed on the fact that the friendship built up during the conflict was not continued. I consider inadequate the answer given by the West, namely that Vietnam committed intolerable foreign policy acts. In fact I believe that this argument can be reversed: The political isolation in which Vietnam gradually found itself is the result of some of its political and military acts, but perhaps many things could have gone differently if the West had opened up channels of cooperation.

Foa: How did Vietnam lose its capacity to conduct a dialogue with both China and the USSR?

Tedesco: Mrs Nguyen Thi Binh answered me this way: at a certain point China forces us to choose. This is tantamount to saying that Vietnam, which during the war had an excellent capacity to maintain relations with the entire socialist camp--which was already split and which derived partly from this its attraction and ability to form the center of a great international political movement--later found itself placed at the center of this split and had to make a choice, paying all the political prices that this entailed.

Foa: So 10 years of dues paid to the world? Instead of having the world pay them?

Tedesco: This is what struck me--the loss somewhere along the line of the major idea of support for underdevelopment, the idea, on the part of the wealthier, of being able to intervene in the South of the world, irrespective of spheres of influence. The only country I found to be performing a very positive role in Vietnam is Sweden: The Swedes went there not with models but with a very precise idea, namely, to provide support to Vietnamese society, discussing the way and means on the spot. I found an international organization--UNICEF--working very responsibly and a children's program ranging from birth control to pediatrics. Why is this possible for Sweden but not for other

countries, for UNICEF but not for other organizations? I believe that if one wants to talk about Vietnam 10 years on, basically this is the problem of problems. I do not mean that the solution of this problem would magically resolve everything, but whereas before we saw in Vietnam how a Third World country can liberate itself, now we are seeing how that same country is unable to resolve the problem of its development on its own.

Foa: Did you encounter pessimism?

Tedesco: "We will take longer, but we will make it," Le Duan told me.

Foa: I too have never encountered a pessimistic Vietnamese leader....

Tedesco: Yes, Le Duan has the typical optimistic outlook of all Vietnamese. I must say that I noticed that this optimism is not as strong as it was some years ago, but it is a way of coming to terms with such major difficulties. Le Duan tends to look further ahead into the future. I believe it is valid, partly because it is based, as Le Duan said explicitly, on the idea that everyone must seek his own path. He said this, emphasizing that there are no leading states or parties, that every state and party has its own specificity and autonomy, and that therefore on this basis Vietnam and Indochina too will regain political and social strength in the world.

Foa: Still in connection with this 10th anniversary, are you repentant or not? Do you feel betrayed by Vietnam or not?

Tedesco: Honestly, no. Perhaps because I never had a mythical view of Vietnam. I was talking about this with some young comrades a few days ago. The real issue is the distinction between myth and meaning or, if you will, between myth and hope. Basically, if I ask myself what was the major truth of the Vietnamese revolution, the answer I find is very simple: It is the fact that every people must determine its own future. And the Vietnamese succeeded in asserting this truth with not only military but also political force. Otherwise why should the wounds of that war still sting so much in the United States? So now, whether we are repentant or not, we must acknowledge another truth, which for that matter the Vietnamese themselves acknowledge--that we all thought peace would be easier, that it would be easier to heal the wounds and the tragedies of 30 years of war. But it has not been so. In fact this raises the real issue of our time--how to link national independence to development. The real lesson of the Vietnam of the past 10 years is that ideas of and plans for international cooperation have not advanced but have regressed worldwide. The Vietnamese retain a strong capacity for hard work, for commitment, and for confidence--a confidence that stems partly from having fought and won major wars. They have taken steps forward in the social field, despite their poverty. Just consider the literacy program, the increase in the average life expectancy, the fact that even if they only eat one bowl of rice a day then at least everyone eats. But they could not take the great leap forward to development on their own, which is why it has not taken place.

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POLITICAL

NORWAY

POLL SHOWS SLIGHT GAIN FOR ALL COALITION PARTIES

Oslo AFTENPOSTEN in Norwegian 20 Apr 85 p 3

[Article by Terje Svabo]

[Excerpts] All three coalition parties are advancing, according to today's opinion barometer from Norges Markedsdata. The celebrations can begin at the Christian People's Party: the party has not achieved 9.3 percent since the 1981 elections. The Labor Party has lost ground for the fifth consecutive month. What will the election strategists at Youngstorvet say?

It is interesting to note that, for most parties, the figures published today are close to the results in the parliamentary elections of 1981. Will we see a repeat of these results in the elections on 9 September? If so, then Kare Willoch can continue without giving a thought to a Progressive Party that seems to have lost its spark.

In today's poll, the Conservatives, the Center Party, and the Christian People's Party together captured 47 percent, while the Labor Party and SV (Socialist Left Party) managed to collect no more than 42.7 percent of the voter support. If we add the figures for the Progressive Party to the coalition bloc and those of the Liberal Party to the socialists, the figures are 51.4 percent and 46.6 percent, respectively.

Wind In Sails

These bare figures show that it is the nonsocialist side that has the election wind in its sails. All supporters of the Willoch government will be pleased to see that all three coalition parties have advanced.

More than 4 months remain to the elections. Thus, anything could happen, but this opinion poll confirms the long-term trend indicated in other polls as well. The Labor Party election planners have reason to be concerned. The Labor Party Congress was held during the period in which the poll was taken, but this seemed to have no positive effect on the outcome.

	Parl. elections Sep 1981 %	Local elections Sep 1983 %	May 1984 %	Nov 1984 %	Jan 1985 %	Feb 1985 %	Mar 85 %
Red Election Alliance	0.7	1.2	0.7	0.7	0.5	1.0	0.8
Labor Party	37.1	39.2	39.0	39.6	38.1	37.7	37.6
Norwegian Communist Party	0.3	0.4	0.2	0.3	0.4	0.9	0.3
Socialist Left Party	5.0	5.3	5.8	5.1	5.1	5.2	5.1
	43.5	46.1	45.7	45.7	44.1	44.8	43.8
Progressive Party	4.5	6.3	7.5	5.9	7.0	6.3	4.4
Liberal People's Party	0.6	0.7	0.2	0.3	0.5	0.4	0.6
Conservative Party	31.8	26.3	28.6	29.4	30.4	30.9	31.2
Christian People's Party	9.3	8.7	7.6	8.6	8.3	8.7	9.3
Center Party	6.6	7.3	6.3	6.0	6.0	4.7	6.5
Liberal Party	3.9	4.4	3.8	3.7	3.7	4.1	3.9
Others	0.2	0.3	0.3	0.4	0.0	0.1	0.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total giving party preference		1,141	1,001	1,094	1,020	1,046	1,056
Total number interviewed		1,388	1,241	1,323	1,253	1,278	1,255

The barometer is based on a comparison of each party's results with the election results of 1981. The estimated statistical error is on the order of 3 percent for results near 50 percent, about 2 percent for results of 10 to 20 percent, and about 1 percent for lower results.

The interviews were conducted between 18 March and 13 April 1985.

Norges Markedsdata A/S

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POLITICAL

NORWAY

LABOR PARTY YOUTH WING, WOMEN'S GROUP, OSLO UNIT FORM BLOC

Oslo AFTENPOSTEN in Norwegian 13 Apr 85 p 3

[Article by Terje Svabo]

[Text] A power alliance of significant proportions is growing within the Labor Party. If it wishes, the alliance including AUF (Labor Party Youth Organization), the Oslo chapter of the party, and the Women's Association of the party can become an important driving force within the party. The Labor Party Congress last March gave some indication of what could happen.

The new leaders of the Women's Association and AUF, Sissel Ronbeck and Jens Stoltenberg, have set the stage for far more aggressive policies than before. This situation is intensified by the traditionally radical line of the Oslo party group, which is supported by the Akershus chairman, Reiulf Steen and prominent secretaries at party headquarters.

After the Labor Party Congress, some observers maintained that the Women's Association under the leadership of Sissel Ronbeck was taking over AUF's traditional opposition role at Labor Party congresses. That is probably an overly simplified conclusion. A more correct analysis would be to maintain that the Women's Association, like AUF, now wants to present a more active, perhaps even aggressive, political line. Together, they are close to a majority at the party congresses.

The interesting aspect of the Labor Party Congress was that the reactivation of the Women's Association meant that the party leadership could face a radical alliance that will give it headaches.

Hand In Hand

This may be illustrated by the debate over the nuclear-free zone. If the Women's Association, AUF, and the Oslo group go hand in hand, they will form a faction that cannot be overlooked by the party leadership. Regardless of whether the Labor Party regains power or not, this opposition in the area of security policy will make its opinions known. Gro Harlem Brundtland apparently realizes that the zone concept must be implemented soon after a possible election victory.

NATO Battle

This alliance also will see to it that a new Labor Party government will answer Einar Forde's call for a battle within NATO. There are only a few eccentrics in the Labor Party who are against NATO. Even established opponents of Western military cooperation now prefer to work within NATO. Impatience in the area of security policy will certainly characterize the tripartite alliance within the Labor Party.

At the party congress, Sissel Ronbeck and others spoke up strongly on the retirement age issue. She was supported by the politician with nine lives, Reiulf Steen. The Women's Association was supported by AUF and the drafting committee under Gro Harlem Brundtland was forced to give in.

AUF also received much support for its proposal to put a ceiling on interest rates, but it would be incorrect to say that this indicated the strength of the youth movement. AUF simply supported the same position that the party leadership would have chosen if elections were not just several months away.

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POLITICAL

NORWAY

DISCLOSURE OF SECRET INTELLIGENCE OVERSIGHT PANEL IRKS LEFT

Small Storting Committee Informed

Oslo AFTENPOSTEN in Norwegian 9 May 85 p 4

[Article by Beret Rambech: "Storting Minicommitee: Oral Report Regarding Intelligence Service"]

[Text] Once a year the defense minister gives an oral report regarding questions of an intelligence nature to a select Storting committee. Armed Forces Committee Chairman Knut Frydenlund was the one who unveiled this when he testified yesterday in the IKKEVOLD case. The committee consists, according to Frydenlund's account, of the Storting president in addition to the chairman and vice-chairman of the Armed Forces Committee.

Even Defense Minister Anders C. Sjaastad avoided the question regarding how the Storting is informed regarding these situations when on Tuesday he testified in the case against the editors of the newspaper IKKEVOLD. "What the Storting wants to know it gets to know," Sjaastad said.

"The whole thing was news to me, "Socialist Left Party Storting Representative Arent M. Henriksen exclaimed when he later in the day as a witness was confronted with Frydenlund's statement.

Knut Frydenlund reported that the yearly report which is given is of a relatively general nature, but it covers the topical matters which have been dealt with. In addition, there is a complete opportunity to ask questions--also regarding matters which are not mentioned.

The defense minister's account is oral, based on a manuscript, but the confidants are not supplied with any written material during this meeting.

"And this is a system which has been approved?" State Attorney Anstein Gjengedal wondered.

"Yes, it was taken up last by Ex-Defense-Minister Rolf Hansen in connection with questions regarding the intelligence service's activities."

"In a report to the Foreign Affairs Committee the question was raised whether the committee wanted other forms of information, but the conclusion was that the system which had been established was satisfactory," Knut Frydenlund answered.

He confirmed further that what the IKKEVOLD case concerns fits information which comes under this system.

Greater Openness

Storting Representative Frydenlund reported further that within public agencies they are going toward greater openness as far as defense policy questions are concerned, but regardless of the openness it will be necessary to draw a line. When first the choice has been made to have a secret service it is in the nature of the matter that there are things which must be treated as secrets. In this connection it is of great importance to draw the line between defense /policy/ [in italics] and defense /technical/ questions. Although a bill from a committee which is to assess the need for the declassification of public documents has not been followed up, the very discussion by the government has led to greater openness. A number of military agreements which previously had been kept secret have been published today.

However, he was of the opinion that greater openness does not mean that everything should be opened up. It will require self-discipline by those journalists who work with the material so that they keep away from areas which ought to be kept secret out of regard for the kingdom's security. If, for example, a debate regarding submarine detection systems is desired, this can be carried out nicely without designating where the systems have been placed.

As a witness, Frydenlund would not, just like that, approve of things being classified in order to avoid discussing the matter. The sheerly human factor is, in his opinion, the most important; that "classification is done for security's sake."

Special Agency Unknown

Storting Representative Arent M. Henriksen was on the Armed Forces Committee from 1973 to 1975. He reported that he thought that the committee, largely speaking, had been informed about what was going on, but it was totally new to him that there was a special agency which received information regarding the intelligence service. He could not see that the Constitution permitted such special agencies to receive information. He did not know of anyone's being in a special position, and he took a skeptical attitude regarding whether the enlarged Foreign Affairs and Constitution Committee had permission to make this decision.

Storting representatives Stein Ørnhøi and Reiulf Steen said in their testimonies that they consider it of great importance to have a vigilant press. In recent years it has brought forth information of importance to the security policy debate. Reiulf Steen asserted that, when all is said and done, it is

the authorities' responsibility to keep a thing secret, and not the journalists'.

"The authorities have a talent for portraying their actions in as favorable a light as possible. Journalists want to make something out of this, and thereby a healthy state of tension is entered," Steen thought.

Socialist Left Party Demands Debate

Oslo AFTENPOSTEN in Norwegian 10 May 85 p 3

[Article by Terje Svabø: "Socialist Left Party Attacks Confidential Information Channel for Military Intelligence: Secret Committee for 20 Years"]

[Text] Since the 1960's, the Storting has been informed regarding operations for the military intelligence service via the Storting president and the chairman and vice-chairman of the Armed Forces Committee. Knut Frydenlund's information in court on Wednesday to the effect that such a system exists has led to intense activity in the Socialist Left Party. The situation is being taken with far greater calm in the other parties, but the Socialist Left Party is now seeing to it that the secret committee becomes a matter for a plenary session of the Storting. Stein Ørnhoi on behalf of the Socialist Left Party has asked the presidents to answer on individual constitutional aspects of the system.

It was during the case against the newspaper IKKEVOLD that the present chairman of the Armed Forces Committee, Ex-Foreign-Affairs-Minister Knut Frydenlund, reported that the Storting is informed once a year regarding operations for the military intelligence service. Frydenlund could relate that the information is provided by the defense minister to the Storting president and the chairman and vice-chairman of the Armed Forces Committee.

The information regarding this secret committee fell like a bomb on the Socialist Left Party's Storting group, which in the course of a day drew up two applications to the Storting's presidents. In one, Stein Ørnhoi asks to read the confidential report from the enlarged Foreign Affairs Committee's meeting during the last Storting session. The reason for this request is that the present Foreign Affairs Committee chairman, Jakob Aano (Christian People's Party), said that the enlarged Foreign Affairs Committee knows about and is satisfied with the system.

The Socialist Left Party was not a part of the enlarged Foreign Affairs Committee in the last session, and for this reason now wants to be informed about what happened. In the other application, Ørnhoi questions the Storting presidents regarding who appointed the present committee, what authority it has and what is the constitutional basis for the committee's activities.

Storting President Per Hysing-Dahl tells AFTENPOSTEN that he will not comment on the matter before it has been discussed by the presidents.

The 1960's

From well informed sources AFTENPOSTEN has learned that an information system for the Storting regarding the military intelligence service has existed since the 1950's. Today's system, with the informing of the permanent 3-man committee, has existed since the 1960's.

Was Asked

In a conversation with AFTENPOSTEN, Knut Frydenlund emphasizes that he came out with the information regarding the committee since he was asked about it in court. He adds that Defense Minister Anders C. Sjaastad, in the same court case, had referred the court to him when it was a question of information regarding how the Storting is informed about the military intelligence service.

To the question of whether he is satisfied with the present manner of informing the Storting, Frydenlund answers that he personally would gladly have liked to have more to share the responsibility with, but that here one faces a dilemma. Frydenlund points out that it is difficult to see a satisfactory solution to an information operation which must be as secret as possible.

It was then Defense Minister Rolf Hansen who in 1978 informed the enlarged Foreign Affairs Committee about how the Storting was informed. At that time Reiulf Steen (Labor Party) was chairman of the committee. No one on the committee was to object then. Foreign Affairs Committee Chairman, Storting Representative Jakob Aano emphasizes that it was the then enlarged Foreign Affairs Committee which was informed, and that the matter had not been placed before the present committee. He says that the question of information on intelligence has not been up since the last session, but that he personally has no objections against its being evaluated.

8985

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POLITICAL

NORWAY

STRAY IN FOREIGN POLICY DEBATE: LABOR UNDERMINING NATO TIE

Førde NATO Stand Attacked

Oslo AFTENPOSTEN in Norwegian 8 May 85 p 3

[Article: "Foreign Affairs Minister Stray in Storting: Labor Wing Threatens NATO Unity"]

[Text] "It is not the Conservative Party and not the government which is placing in danger the unity regarding foreign and security policy. But ever since 1949 there has been a wing of the Labor Party which with varying strength and influence has constituted the greatest danger to our unity regarding the alliance policy. And it is still so," Foreign Affairs Minister Sverre Stray emphasized in the foreign affairs debate in the Storting yesterday evening. The foreign affairs minister said, directly addressing opposition leader Gro Harlem Brundtland, that the Labor Party is less occupied with good relations within the NATO alliance than with relations between East and West.

The Labor Party's head spokesman, Guttorm Hansen, criticized the government for displaying passivity in NATO. To this the foreign affairs minister replied that one must not confuse activity with disunity. "Is disagreement with the other allies the only expression of activity which the Labor Party can imagine? How would it go with Norway's trustworthiness and ability to exert influence if Norway in matter after matter were to place itself outside NATO's main line?" Foreign Affairs Minister Stray asked.

Labor Party's New Line

The foreign affairs minister repeated that cooperation and unity in NATO are totally decisive for peace and security and Stray recalled that the Labor Party, in the most difficult case which NATO has faced in the first half of the 80's, regarding missile negotiations with the Soviets, abandoned the line a clear majority within the alliance stood for, and in addition the line the party itself supported when it was in power.

All the same, the foreign affairs debate in the Storting yesterday was not so heavily characterized by strong confrontations as earlier. Evidently the approaching celebration of Norway's 40-year anniversary as a free country played a certain role in this connection.

Preserve the Peace

Many speakers, including Foreign Affairs Committee Chairman Jakob Aano (Christian People's Party) pointed out that the most important political task we face today is to attend to and preserve the freedom we won in 1945. Participation in NATO has given us 40 years of peace and it is a bright spot today that the superpowers have again sat down at the negotiation table in Geneva to discuss arms reductions instead of threatening each other with the use of weapons and nuclear war, Aano emphasized.

Splits

However, Ex-Foreign-Affairs-Minister Knut Frydenlund (Labor Party) rejected the criticism by the Conservative Party to the effect that the responsibility for the fact that there is not always broad political agreement regarding foreign and security policy must be borne by the Labor Party. "There is no fixed policy which time after time splits the Storting in important issues, and which there in reality is not a majority for in the Storting," Frydenlund said, clearly addressing the foreign affairs minister and the government. Guttorm Hansen (Labor Party) also thought that it is unfortunate if a small country is split in important questions which concern the country's foreign and security policy. He characterized it as an impudent political game to construe every disagreement as something dangerous in foreign policy.

Labor Party Criticized

Speakers from the Conservative Party, especially, however, criticized the Labor Party for its critical attitude toward our biggest ally in NATO. Grethe Vaernø (Conservative Party) thought it would be an advantage if the Labor Party omitted waging an election campaign against the American president. And the Conservative Party's parliamentary vice-chairman, Petter Thomassen, said that it is not an objective to compete with the next-in-charge in the Labor Party, Einar Førde, in his eagerness to kick our biggest ally in the shins.

The Conservative Party's first spokesman, Harald U. Lied, said in the debate that it was with surprise that he had ascertained that Einar Førde made it known that a possible Labor Party government would enter a dogfight in and with NATO, among other things, regarding a nuclear-weapons-free zone in Scandinavia. "Such a statement creates worry among many and I am afraid that Norway can enter a completely different category if Einar Førde gets an opportunity to carry out his intention," Harald U. Lied pointed out.

Weakness

The Progressive Party's Bjørn Erling Ytterhorn said that every time there is a tight vote in the Storting--with 78 versus 77 votes--the government is a hair's breadth from existence. Stability is not our political situation, he believed. "A little more weakness in the Christian People's Party and the Center Party than we have today will result in the fact that Norway will become a 'footnote country' in NATO," Ytterhorn said, who added that the

Progressive Party is for this reason happy about the foreign affairs minister's clear and orderly position in relation to NATO.

Conservative Newspaper on Debate

Oslo AFTENPOSTEN in Norwegian 9 May 85 p 2

[Editorial: "Undesirable Foreign Affairs Debate"]

[Text] It is a hardly desirable situation, but foreign and security policy can come to be a central element of this year's election campaign. The Labor Party was not able during Tuesday's foreign affairs debate in the Storting either to give a satisfactory answer to the one burning question: Which course would the party adopt if it is in power?

The debate's only bright spot was that the Labor Party's heavyweights obviously felt a need to assert that there is still broad agreement regarding Norway's foreign and security policy. But then they proceeded to blame the government and the Conservative Party for placing this broad agreement in danger. Neither the government nor Foreign Affairs Minister Sverre Strøm has any urgent need to be defended.

Let us all the same--as a matter of form--assert that the present government will conduct further a foreign and security policy which there was broad agreement on up to the fall of 1981. The disagreement is a manifestation of the phenomenon American analysts like to sum up with the designation "out-of-office socialists," who are expressing a hope that they will find their way back to their old selves in power.

We are genuinely afraid that there are expressions of unfounded optimism. As late as Tuesday the Labor Party's Guttorm Hansen blamed the Willoch government for having played a very passive role in NATO. Like too many others, he confuses activity with disunity, as Strøm pointed out when he clashed with the opposition in the foreign affairs debate.

The unanswered questions are standing in line: "Is disagreement with the other allies the only expression of activity the party can imagine?" "How would it go with Norway's trustworthiness and ability to exert influence if Norway in case after case were to place itself outside NATO's main line?"

And it is precisely such an attitude which has characterized the party's policy as the opposition party. As far as the talks regarding medium-range missiles in Europe are concerned, the Labor Party gradually went against the line a clear majority in NATO stood for and, besides, against the line the party had supported when it was in power. When the Soviet negotiators marched out in Geneva the party advocated stopping Western deployment in order to get them back to the negotiation table. The Labor Party was, as Strøm pointed out, willing to reward the Soviet breaking off of the talks.

The government on its part is holding to the same views which the Nordli and Harlem Brundtland governments held to before the change in power in 1981.

But, in opposition, the same politicians are managing both to deny that they are drifting and to lay the blame for the clear contradictions on the Conservative Party and the government. "It was not I who hauled it in, it was the cat; I just held it by the tail, I did," as the guy said.

Joking aside. The unanswered question is to what extent the Labor Party in the position of power will hold steadily to a course which isolates us within the alliance.

8985

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POLITICAL

PORTUGAL

RESERVE GENERAL CONFIRMS PRESIDENTIAL CANDIDACY

Candidacy Announced

Lisbon DIARIO DE NOTICIAS in Portuguese 24 Apr 85 p 3

[Excerpts] General Altino de Magalhaes told our newspaper that his candidacy to the presidency may be seen in the context of "a change of society," but that should be taken to mean its "sociological and political aspects." Confirming his intention to run for the presidency on the insistence of a group of persons who recognize his ability to "intervene more actively in national life through the presidency of the republic," Altino de Magalhaes added that he has not yet established any contacts with political parties in order to secure their support.

"Parties are not the beginning and the end of political life. Moreover, the presidency must be seen as separate from and above, political parties," the candidate noted.

Altino de Magalhaes, who is now in the reserves, was deputy chief of the General Staff of the army. His decision to run for the presidency was announced yesterday to the military hierarchy.

His candidacy will be formally announced in June with the publication of his platform.

No Ideology

Lisbon TEMPO in Portuguese 3 May 85 p 10

[Article by Gouveia de Albuquerque]

[Excerpt] "In constitutional terms and given our country's present circumstances, I shall not identify myself with any given ideology during my candidacy," Gen Altino de Magalhaes affirmed to our newspaper during a brief interview.

Born in Tras-os-Montes, Altino de Magalhaes was president of the Azores Regional Junta and commander-in-chief of the armed forces in this autonomous region during the Goncalves period. He also served in military missions in Madeira. When he entered the reserves in 1984 because of the age limit, he had been director of the National Defense Institute for the last 3 years.

A 4-star army general, Altino de Magalhaes was also the commander of the Angola Military Region, deputy chief of the general staff of the army and deputy chief of the armed forces general staff, military attache in the Portuguese Embassy in Brazil, and also carried out several missions abroad, notably within the NATO framework.

Question: From which sectors of the political, social and party spectrum do you hope to garner support and votes?

Answer: From all strata of society, of course.

Question: Do you think you will persist in your candidacy to the end, or do you admit the possibility to desist in favor of another candidate?

Answer: At this time, and as it is quite obvious, my intention is to run until the end.

Question: From the known and the potential candidates--and I am referring to Prof Freitas do Amaral, Dr Mario Soares and Eng Lourdes Pintasilgo--with whom do you think you have the greatest ideological affinity?

Answer: In constitutional terms and in our country's present circumstances, I believe I must not identify myself with any ideology in my intention to run for the presidency of all Portuguese.

Question: Do you think that the fact that you are a military officer--even in the reserves--can benefit or be a hindrance to, your image?

Answer: Neither. I am a Portuguese and I must be considered strictly on this basis.

International Support

Lisbon O JORNAL in Portuguese 25 Apr 85 p 12

[Excerpts] General Altino de Magalhaes was recently asked by Diogo Freitas do Amaral to support his candidacy. In spite of the fact that the two share some points of view on various subjects--this was told to our reporter by a source close to the general--the latter thought, nevertheless, that he must keep his distance from the founder of the CDS.

According to another source close to him, the general enjoys the support of various international groups, including in the United States.

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POLITICAL

PORTUGAL

PRESIDENTIAL CANDIDACIES: OLD, NEW NAMES SURFACE

Pintasilgo's "Tupperware" Campaign

Lisbon EXPRESSO in Portuguese 5 Apr 85 pp 1, 20

[Text] EXPRESSO has learned from a source close to former Prime Minister Maria de Lourdes Pintasilgo that her pre-campaign has been intensified in recent weeks with the formation of regional nuclei throughout the entire country, except in Madeira, giving priority to meetings in the homes of supporters in a "Tupperware" type campaign. According to the same source, the number of those listed as declared supporters of the candidacy of Maria de Lourdes Pintasilgo has at the moment grown to about 20,000.

After contacts in Lisbon, where local activists have already held meetings down to the parish level and in Porto, Coimbra, Santarem, Aveiro and finally in Braganca, Pintasilgo will begin next weekend a new round in her pre-campaign in the Alentejo and the Algarve, with meetings at Evora, Beja and Faro. Meanwhile a bi-weekly campaign newspaper is scheduled to appear on the 15th of next month.

"Unexpected" Support Within the PS

Outside of Lisbon and Porto, the Pintasilgo campaign aims at the formation of decentralized support groups with influence in local communities and has made most progress in the markedly conservative zones of the interior. It is said to have found "unexpected" support among figures connected with the Socialist Party. A source close to the former prime minister told EXPRESSO that in those zones where the electorate is more polarized, the candidacy of Lourdes Pintasilgo has taken on an image of "democratic hope" vis a vis the sectors of the right and "the ambiguity of the position of Mario Soares." Throughout the entire country, according to the same source, Lourdes Pintasilgo is reportedly gaining significant support from sectors to the right of the PS [Socialist Party] especially among the female electorate. In this phase Pintasilgo is gaining the greatest support from sectors not aligned with political parties which, from a sociological and occupational point of view, include teachers, doctors, engineers, civil servants, priests and persons connected with cultural activities.

Greatest Difficulties in the Alentejo

The Alentejo is the zone of the country where the campaign has encountered the greatest difficulty in getting established and organized. One of the members of the Pintasilgo staff attributes this to the Communist Party's reticence about the candidacy of the former prime minister. However, elements of the MDP [Portuguese Democratic Movement] have reportedly already displayed an attitude of support for Pintasilgo.

Nuno Grande, National Head?

At present the initial soundings are being taken with regard to possible district heads. Already practically confirmed are the names of Antonio Salvado in Castelo Branco, Henrique Pinheiro in Beja and Sacramento Marques--ex civil governor--in Santarem. In Porto the district head would be Professor Nuno Grando, who could even become national head of the campaign, in accordance with the wish of Maria de Lourde Pintasilgo herself. On the other hand, Pintasilgo has developed contacts with business sectors in the North who favor close ties with Africa, EXPRESSO was informed by a leader of the campaign.

Pintasilgo's Appeal to Women

Lisbon EXPRESSO in Portuguese 5 Apr 85 p 8

[Excerpt] The hypothesis of a military candidate having been discarded, there remains in the "Eanist" camp the hypothesis of a civilian. In this direction, Maria de Lourdes Pintasilgo proved that she is indeed flying ahead by conquering in advance a good part of the Eanist electorate that now, in a very Portuguese fashion, will not leave her to follow any other civilian personality who, as a substitute for the engineer, is frankly not visible in the Eanist scenario.

Maria de Lourdes Pintasilgo has also in her favor a new factor which escapes the tired masculine administration of society. Women are no longer the feminine mass which men divided in order to rule. Women today (even the most humble feel this) are a force endowed with a historic consciousness which they are trying to realize through the witness of women outstanding in cultural and political fields. This explains the decisive participation of women in the lead the public opinion polls give to Maria de Lourdes Pintasilgo. This phenomenon gives the lie to some misogynists who I heard swear that the candidate had against her the feminine negative factor of repelling the women's votes.

Absent this candid illusion of masculine narcissism which seems to have been bruited about and listened to at Belem, what arguments in the Eanist terrain could threaten the candidacy of Maria de Lourdes Pintasilgo? Her joyfulness contrasted with the mood of national sadness as a candidate for Belem in the solemnity shared by all of the worthies of the PRD [Democratic Renewal Party]? Her vitality contrasted with the weariness of power affecting the notables of our sclerotic politics? The novelty of her discourse contrasted with the stuffiness of our parliamentary and governmental rhetoric? Her political

culture as against the narrowness of the political grammar of the leaders of the republic? If these attributes are included in the renewal plans of the new party, if, by shrewd anticipation, Maria de Lourdes Pintasilgo has acquired as a candidate the capital of an indistructible popularity within the Eanist terrain, one cannot conceive of any type of advantage that another civilian candidate could offer the PRD.

The difficulty in answering this question, which I have put to some elements of the PRD and their sympathizers and which they have answered by silence, constitutes for me a great Eanist mystery. Unless the explanations reduces us to such a politcal fiction or quasi-fiction in which the PRD could be a sadomasochistic protagonist: to destroy Soares, Eanism would destroy itself as the passive agent of the triumph of the anti-Soares bloc. Leaving aside this absurdity, the challenge faced by the PRD to choose a candidate who would be a powerful rebuildder of the AD [Democratic Alliance] makes essential a candidacy from the Eanist area which is not anti-Soares but a healthy competitor, which could attract, aside from communist votes, those of the socialists, in case Mario Soares were to be eliminated on the first round.

This candidacy already exists with a considerable base and known popularity. It is that of Maria de Lourdes Pintasilgo. Anyone telling Eanes the contrary deceives him. But if it should be the pleasure of the president to be deceived, let him not be deluded, at least with respect to the necessity to clear away the fog in the Eanist terrain surrounding the presidential elections, when to the clarity of the Soares candidacy has now been added the very clear plan to resuscitate the AD with a fittingly autonomous candidate.

CDS' Moreira Mentioned

Lisbon EXPRESSO in Portuguese 5 Apr 85 p 1,20

[Excerpt] Centrist sources close to Adriano Moreira told EXPRESSO that there continues to be a possibility that the president of the National Council may offer his own candidacy in the presidential elections just as we reported in our last edition. Such a candidacy has "considerable support" within the CDS [Social Democratic Center Party] including old-time "Adrianists" like Jose Gama and Vieira de Carvalho (vice president of the political committee) but also Basilio Horta and his supporters from the last congress of Aveiro.

The candidacy of Adriano Moreira could meanwhile take shape sooner than initially foreseen by his sympathizers. The rapid movement of the PSD toward supporting Firmino Miguel and the recent statements of Lucas Pires concerning that candidate reportedly forced Adriano Moreira to hasten events and very probably provoke a confrontation as early as the next national congress on 13 April. Adriano Moreira may have been particularly disturbed by the fact that last Tuesday the media reported the possible support of the centrist leader for Firmino Miguel (immediately after the results of the PSD referendum) and reportedly expressed his unhappiness to Lucas Pires immediately.

In circles supporting the "old man" of the CDS, meanwhile, it is said that his candidacy (as well as that of Freitas do Amaral) will be fundamentally a candidacy "corrective" of the national party scene, designed, in the final

analysis, to polarize the two great alternatives between socialists and conservatives and to reduce the political space of the Social Democratic Party. For their part, circles close to Lucas Pires state that Adriano Moreira never will reach the point of presenting his candidacy, "intending only to have his candidacy talked about." In these circles it is considered that the present centrist leader, by acting skillfully in the current game of presidential forces, will "improve his position" in this first internal battle which he is going to have to contest with Adriano Moreira.

General Rejects Candidacy

Lisbon TEMPO in Portuguese 5 Apr 85 p 32

[Text] General Altino de Magalhaes does not plan to be a candidate for the presidency of the republic and is surprised by reports to that effect circulated by the media.

This information was released last night. Altino de Magalhaes was not approached by any individual or party for the purpose of running in the next presidential elections. The former director of the Institute for National Defense leaves today for Tras-os-Montes where he will spend Easter with his family. He will return to Lisbon next week.

12942

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POLITICAL

PORTUGAL

FREITAS DO AMARAL: NEW CANDIDATE ON POLITICAL SCENE

Possible AD Revival

Lisbon DIARIO DE NOTICIAS in Portuguese 27 Apr 85 p 2

[Article by Dinis de Abreu: "The Candidate Who Came From the Silence"]

[Excerpts] A brief communique, almost as laconic as the one which, last summer, put an end to the movement that was forming, signaled yesterday the formal reappearance of Freitas do Amaral and confirmed his intention to become a candidate for the presidency in an "independent and above-parties" perspective.

Contrary to what happened in the first semester of 1984, when Freitas do Amaral engaged in careful polls without ever manifesting total availability, this time he offered himself without hesitation, resolutely coming forward before other candidacies that were haggling for consistent support. When we commented, less than a year ago, on Freitas do Amaral's departure from the political scene, we wrote that "the reconstitution of the former AD [Democratic Alliance], under another name but with similar objectives, and headed by him was, in the final analysis, the best objective for Freitas do Amaral, the only one that could motivate him to return to active politics following his academic interlude. And the presidential elections were an excellent opportunity to achieve that goal."

Now that his candidacy has been announced, we see no reason to modify anything that was said at the time. Freitas do Amaral is a candidate to the presidency, but he is also a candidate to the leadership of a regrouping of those political forces that find their expression in the center and the right, and that have been unable to date to find a credible successor to Francisco Sa Carneiro.

It was by no coincidence that Freitas do Amaral identified himself yesterday with the political heritage of Sa Carneiro and Adelino Amaro da Costa. If this came to pass, and as painful as that would be to Helena Roseta and other Social Democrats who do not recognize themselves in Freitas do Amaral, the PSD [Social Democratic Party] would only have itself to blame, having followed such a tortuous road and having been torn by constant internal strife.

It should be noted that Freitas do Amaral was cautious enough to announce his candidacy as "national, independent and above parties," and to appeal directly to the electorate with a "project for change," in an "ethical and liberalizing sense." This means that the CDS [Social-Democratic Center Party] founder does not want to be tied to it, in spite of the fact that he accepts its support. He is addressing himself, above all, to the social democratic electorate, hinting at a project of change and "regeneration," as Sa Carneiro had done.

It is known that Freitas do Amaral enjoys considerable support among PSD leaders, even at the policy level, something that is hardly new, since signs were appearing more than a year ago. Thus, the PSD is running the risk of becoming divided between the candidacies of Mario Soares and Freitas do Amaral and being "squeezed," as a party, between the PS [Socialist Party], the CDS and the new PRD [Democratic Renewal Party], which are getting ready to dispute the sympathies of its electorate.

The next Social Democratic Congress could transform itself into a choice between Soares and Freitas do Amaral. In contrast with Firmino Miguel, Freitas do Amaral's candidacy is, on the surface, favorable to Mario Soares. Indeed, it will henceforth be difficult for the PCP [Portuguese Communist Party], for instance, to insist that the socialist leader is the candidate of the right, something Cunhal has been repeating in his speeches. At the same time, the "Eanists" as well will find it difficult to recommend a vote for Freitas do Amaral.

On the other hand, Soares will not find it so easy from now on to exercise "seduction," a maneuver he has been using among large segments of the classic right.

There is also the unknown element personified by Lourdes Pintasilgo, who will preferably operate in the communist and socialist areas, thus dividing the leftist electorate. Her candidacy could affect Mario Soares, unless she would desist in his favor at the last minute....

At any rate, the die is cast and the candidates are here for everyone to see. Indiscutably, Freitas do Amaral chose the best moment to return to the political scene. Among the "moral forces" at which he aimed, he is certainly including the Church, which will support his candidacy. And the situation is known within the political forces.

Freitas do Amaral's goal is not only the presidential elections--it is a new AD that he believes he can attain. Eanes and Soares will have to take this into account.

Important Coincidence

Lisbon EXPRESSO in Portuguese 4 May 85 p 3

[Article by Jose Antonio Saraiva: "Freitas do Amaral and the Virtues of Coincidence"]

[Text] Through one of those frequent coincidences in politics, the most important act for the launching of Freitas do Amaral's candidacy was involuntary.

In reality, when, a year ago, Freitas do Amaral announced convincingly that he would not be a candidate to the presidency, he was, albeit unintentionally, creating the most important fact for his candidacy for two reasons.

In the first place, because his withdrawal created the idea that he was a "natural candidate," who was not running because he did not want to.

Second, because the announcement of this withdrawal created the idea in people's minds that a vacuum was being formed. Indeed, if a natural candidate was withdrawing, a space was necessarily being created that would have to be filled in the electoral campaign.

This is the space that Freitas is now "reoccupying" very naturally, thus benefiting fully from a decision he then made with completely opposite goals.

However, disregarding the coincidences that frequently change the course of history, it is important now to know whether his candidacy is worthwhile.

In order to find out, two things must be reflected upon. First of all, one must know whether or not Freitas do Amaral will succeed in clearly going beyond the electoral limits of the CDS.

Also, one must know whether he will succeed in significantly penetrating into the social democratic electorate.

If the answer to the two questions is positive, then it must be concluded that the candidacy was worthwhile.

Because, in going beyond the CDS limits, Freitas will immediately impinge upon Soares' base, compelling the centrist militants and voters to lose confidence in their leader in order to put their hopes in the future political initiatives of the former AD deputy prime minister. There is more.

In significantly penetrating into the social democratic electorate, Freitas will also be putting in doubt the PSD leadership, which would show itself incapable of maintaining unity among the party's voters, allowing them to vote for another candidate. It must be said that if Freitas do Amaral succeeds in this—that is, to put in doubt both the PSD's and the CDS' leadership—he will obviously become the leader with the most personal strength in the political area to the right of the Socialist Party.

At that time, conditions would be ripe for the emergence of a new conservative party of which he would be the leader. This party would not be a recreation of the AD, because there will always be, within the PSD, a nucleus that would resist his leadership, but which could encompass social democrats and independents of the right, besides attracting the CDS, thus turning the PSD into a small enclave squeezed between Soares and Freitas himself.

Of course, if Freitas do Amaral does not succeed, his candidacy would not have been worthwhile.

POLITICAL

PORTUGAL

CONTACTS WITH FRENCH EXTREME RIGHT REPORTED

Lisbon O JORNAL in Portuguese 4-11 Apr 85 p 36

/Text/ The extreme right French group National Front known for its xenophobic and anti-immigrant positions, is believed to have established ties with sectors of the Portuguese extreme right organized under the name "Ordem Nova" ["New Order"], O JORNAL learned from a reliable source in Paris.

New Order is thought to include elements previously affiliated with the ELP [Portuguese Liberation Army] and is a movement being reorganized clandestinely. The connection between the Portuguese extreme right and the French was probably effected through the Spanish organization "Fuerza Nueva" [New Force]. The National Front, headed by Jean Marie Le Pen, announced some time ago its intention to extend its movement throughout all of Europe, creating a sort of "Internationale of the European extreme right." It already has ties with the groups of the Belgian extreme right, "Front de la Jeunesse" [Youth Front] and "Parti des Forces Nouvelles" [Party of the New Forces] and with some German organizations.

O JORNAL has also learned in Paris that Portuguese supporters of the MNR resistance in Mozambique may also have connections with the French extreme right, and that the MNR leaders themselves may maintain contacts with the National Front.

New Order was constituted by a notary public document on 25 July. Its program was made known at the end of 1980, shortly before the presidential elections that gave Eanes his second mandate.

"Country, Work, and Justice Under God" is the motto of the movement, which reportedly refuses to become a party, and which claims to stem from a nationalism that has nothing to do with the right or the left.

Ties to New Force

In the first notice given to the press a list of founders was presented in alphabetical order, as follows: Antonio Alves Diniz, Antonio Judice de Abreu, Eduardo Quinhones da Silva Pereira, Gilberto Santos e Castro, Joao Carlos Beckert d'Assumpcao, Joaquim Navarro de Andrade, Jose Valle de Figueiredo, Luis da Silva Martinez and Zarco Moniz Ferreira.

Gilberto Santos e Castro and Zarco Moniz Ferreira were part of a group which in 1979 reported illegally on the activities of the leaders of the decolonization. Santos e Castro, who set up a Center for Commando Training in Angola, reportedly returned there in 1975 or 1976, after resigning his commission in the Army, to fight the MPLA.

Individuals and nationalist groups had appeared under various designations or names prior to the formal organization of New Order. The "Mocidade Patriótica" [Patriotic Youth], which was connected with the PDC [Party of Christian Democracy], was one of the groups most influential in the formation of New Order.

In November of 1981, at the invitation of New Force, a Portuguese delegation participated in the sixth anniversary commemoration of the death of Franco in Madrid. Some Portuguese flags appeared in the parade, along with a sign reading "Authentic Portugal Salutes Authentic Spain." On that occasion the Portuguese ambassador in the Spanish capital issued a protest against "the abusive use of the national flag."

The legal existence of the movement was terminated at the beginning of 1982, after three notifications from the attorney general to change some points in its statutes.

However, the organization has shown signs of life, albeit sporadic, on other occasions. Slates inspired by the extreme right have run for office in student organizations. On 28 May 1983 youths with emblems and pamphlets on New Order took part in a luncheon commemorating the National Revolution, which even included the recorded voice of the chief, Salazar.

New Order is a name with historic resonance. As early as 1926 a magazine was published with that name, and Marcelo Caetano was one of its founders. And even before the association New Order was formed, this was the name of the bulletin of the Frente Nacional Revolucionaria [National Revolutionary Front].

It is of interest also that in February 1980, in Sintra, the GNR [National Guard] reportedly arrested a group of 11 individuals between the ages of 16 and 26 suspected of preparing a bomb attack."

12942

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POLITICAL

PORTUGAL

BRIEFS

ADMINISTRATIVE CHANGE IN MACAO--Everything indicates that there will soon be contacts between Portuguese and Chinese authorities for the purpose of defining conditions for the transfer to Beijing of the Portuguese administration in Macao. This transfer would take place between 1997 and 2000, and probably implies that the next governor of Macao, to be appointed after the election of the president of the Republic, will be a civilian. [Text] [Lisbon SEMANARIO in Portuguese 4 Apr 85 p 32] 12942

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POLITICAL

SWEDEN

NONSOCIALISTS WOULD HAVE TO DEAL WITH ECONOMY IF ELECTED

Stockholm DAGENS NYHETER in Swedish 11 May 85 p 10

[Commentary by Sven Svensson: "Difficult Decisions After the Election"]

[Text] A nonsocialist three-party government would confront difficult decisions after an election victory in the fall. The great currency outflow and the civil service conflict show that the Swedish pattern is in a difficult crisis.

The nonsocialist parties are unified on one point. They do not believe in the Social Democrats' description of the economic situation, where all the curves point upward. They say that is gilding.

In fact inflation is much greater than the Social Democrats estimate, the trade balance is going to show a two-figure deficit and the currency outflow is almost shocking.

Unemployment

The explanation for the quick and powerful worsening of foreign trade and the speculation against the krona is primarily too high private consumption.

It is all right to borrow large amounts of money abroad for investment, but to borrow for private consumption is reprehensible.

Private consumption must therefore sooner or later be limited if Sweden is to hold its tight economic position. With high inflation and highly compensated pay raises over several years Sweden runs the risk of very high unemployment.

The economic contractions can take place either through tax increases or through savings in national expenses.

In the economic bills of the nonsocialist parties, promises of tax reductions are much more prominent than savings proposals. It should be the opposite.

Conservatives Go Farthest

The Conservatives go the farthest. For calendar year 1986 income tax reductions of over 7 billion were promised. The Center Party and the Liberal Party are considerably more bashful. They are satisfied with demanding the restoration of full inflation protection for the tax scale and restoration of value in the 1982 tax agreement with the Social Democrats. Against the background of today's economic crisis, the tax reduction line of the middle parties stands out as more realistic than that of the Conservatives.

It is much simpler to promise tax reductions than to pinpoint savings. Experiences from the nonsocialist government period 1976-1982 showed furthermore that it takes a long time to launch savings proposals, and it takes time before they take effect on the economy.

On one savings point the three nonsocialist parties are in relative agreement. That is on the collection of 4 billion in national contributions from the municipalities during calendar year 1986, but the methods vary. Furthermore the Center Party wants to use one billion for municipal equalization of taxes.

No Contraction

The savings recommendation does not contain any direct contraction. The Social Democrats bring in just as much money from the municipalities during 1986, but by other methods. The money will be paid back in 1988 to pay for the increased standard deduction in taxation, which the nonsocialist parties want to abolish.

For its savings the Conservatives give precise figures department by department, but no concrete proposals exist.

It is said that in the housing department savings in 1986 will rise to 3.4 billion through recapture of rent contributions for multifamily houses, etc.

Discussions last winter led the Conservatives to admit a "miscalculation," when it turned out that rent increases would be 200 kronor per month. And the apartment tax which took effect on 1 January 1985 could not be abolished before 1985.

Agriculture

So it is with savings proposal after savings proposal. In the social department the Conservatives wanted to save 3.5 billion by changes in the sick and parental insurance, but the Center Party objected.

Within the agricultural sector the Conservatives wanted to save 800 million on food subsidies among other things, but the Center Party wanted to increase the subsidies on staple foods.

Even though the nonsocialist parties could be more correct than the Social Democrats in their description of the economic situation, there exists no common crisis policy that can quickly be brought forth in case of a change of government in the fall.

9287

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POLITICAL

TURKEY

AKYOL ON OZAL'S U.S. TOUR, ECONOMIC PROSPECTS

Istanbul TERCUMAN in Turkish 6 Apr 85 p 6

["Objective" column by Taha Akyol: "Ozal's Goal"]

[Text] It was a day of anguish. In a jet aircraft crash in Balikesir we lost 14 soldiers. Secessionist gangmen fired on a medical crew in Sirnak; five martyrs were lost. May all of them rest in peace.

Martyrs cannot return to life but the government can compensate for material losses. A Turkey which has stepped up its economic growth with a spirit of national unity will be more successful in overcoming its problems.

What does the Prime Minister think about the fundamental strategy of growth and the additional resources that need to be procured? Ozal's talks and contacts in the United States have clarified his position on the economy. The Prime Minister, who uses the same economic language as Reagan and who says he is implementing "Reaganomics," has stated that he is more interested in trade and foreign capital than in credit. This is a language that America's pragmatism and economic mentality can easily understand. The Americans have found in Ozal a businessman who speaks of mutual benefit--not the leader of an Asian-African country "begging for loans."

Of course political and strategic issues were also discussed.

Ozal's Near-Term Goal

Ozal knows the hardships the citizens are suffering and how that is eroding his political support to some extent. But he is optimistic about the future. Ozal's and his aides' view of the future can be outlined as follows:

In the first two years of the Ozal administration, Turkey made the largest foreign debt payments in its history. Also, during these two years the dollar rose against all world currencies at an unprecedented pace. These two factors caused shortages and spurred inflation at home. Starting in 1986, there will be a relative decline in foreign debt payments. Then it will be possible to channel home some of the resources expended on foreign debts.

Furthermore, it now seems certain that the dollar will not rise against other currencies at the same rate. Thus the hardship caused to Turkey by the rising value of the dollar will be reduced.

If, in addition to these expectations, new resources can be procured by encouraging the flow of Arab and American capital into this country, Turkey can expect to experience an optimistic atmosphere in 1986.

It is because of these considerations that Ozal stressed trade, foreign capital and joint defense investments as much as--or in fact more than--foreign credit in the United States.

Another economic model might have different hopes, but these are the basic hopes of Ozal's model.

At a time when "Reaganomics," a model whose goal is to open up to the outside while emphasizing monetary measures, has become a key element in Ozal's policies, State Planning Organization Deputy Undersecretary Ertan Yulek's insistence on import substitution at meetings with experts must not be taken very seriously.

Economy and Politics

Ozal hopes attract Arab and American capital by boosting exports. Are his hopes realistic? The OECD's Turkish Consortium chairman Geberth told a Turkish delegation as early as in 1974:

"Foreign capital and credit can be arranged if you can show that you can make the largest debt payment in 1985."

Indeed, in talks in the United States the fact that Turkey is paying its debts was strongly emphasized.

Ozal returns from the United States with the impression that he was successful.

If Ozal's expectations for exports and foreign capital come true, investments, production, employment, in other words the general economy, will benefit. Ozal's aides are discussing the issue of asking for early elections in 1987. That way they may ask for renewed electoral support in an atmosphere of optimism and with some election economics. This would also mean that elections in which politicians barred from participating in politics can take part will be postponed by four more years.

We do not know what the other parties think about this strategy of Ozal's.

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5 June 1985

POLITICAL

TURKEY

DALAN: WEST, 'NEW LAWRENCES' WISH TO SPOIL ARAB-TURKISH TIES

Istanbul TERCUMAN in Turkish 6 Apr 85 p 10

[Report by Kamuran Abacioglu]

[Text] Istanbul Mayor Bedrettin Dalan disclosed that "Jidda Mayor Muhammad Farisi will not buy a house on the Bosphorus because of certain reports in the press."

Responding to questions on the subject, Dalan charged that "certain circles who are disturbed by the Turkish-Arab rapprochement and cooperation are trying to spoil this friendship" and added: "New Lawrences have sprung up. But they cannot spoil our friendship with our Arab brothers."

Meanwhile, the City Hall has retained PIAR [Market Research Center] to conduct a survey with regard to Arab tourists who are expected to come to Istanbul in large numbers this summer. Dalan disclosed that 100 percent of Istanbul's small businessmen have responded to the question "Would you like the Arabs to come or not?" by saying "We would like them to come."

Stating that a coordinated effort is under way with district city halls to ensure that the Arab tourists' stay is made as comfortable as possible, Dalan said that in addition to the fact that Arab tourists are close to us with cultural and historical ties, the \$1.5 billion they will spend in foreign currency is more than sufficient to bridge the country's foreign trade deficit.

Charging that certain Western countries do not want Arab tourists to come to Turkey, Dalan said: "Our rapprochement with the Arabs has disturbed certain circles. German television correspondents came and asked me strange questions. They want the Arabs to go and relax in Europe as in the last 25 years; they do not want them to come here so that we will have to beg from the West. Meanwhile, certain publications are offending our Arab friends by attacking me personally."

Dalan said the following with regard to the partnership between the Altinboynuz Tourism Corporation and Saudi businessmen:

"I was not a civil servant before I became mayor. I come from the business world. I have been a partner in several companies. Trade is not something

that is considered dishonorable in our country. I would like to emphasize that I have not held any partnerships in any firm since I became mayor.

"I own stock worth 100,000 Turkish liras in the Altinboynuz Corporation. I am not the president or anything else. I have known the two Arab partners in the firm prior to becoming mayor. The company is run by Riza Orhan Korates who was my student at the university. One of the Arab partners is his uncle's son. In other words, what is being done is neither secret nor unlawful. Is it a crime to be partners with Arabs?"

Mayor Dalan was asked: "Will Saudi Crown Prince 'Abdallah bin 'Abd al-'Aziz, who has bought the area known as Sevda Hill on the Bosphorus, be issued a building permit?" Dalan replied: "Preserving the Bosphorus does not mean refusing to raise buildings on the Bosphorus. However, that issue will be decided by the Bosphorus Higher Coordination Council."

Stating that he has not done anything unlawful, Dalan said: "If anything unlawful has been done, let them report it to the State Prosecutor."

Meanwhile, it has been learned that the Conference on the Preservation of the Islamic Architectural Heritage will be held in Istanbul on 22 April. The conference will be attended by 150 people including the mayors of the Arab Cities' Association and scholars. Dalan said that this conference will be very helpful in promoting Istanbul among the Arabs.

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POLITICAL

TURKEY

MUMCU CHIDES MP FOR EAGERNESS TO PLEASE ARABS

Istanbul CUMHURIYET in Turkish 7 Apr 85 pp 1,8

["Observation" column by Ugur Mumcu: "Lawrence"]

[Text] While Arab capital smelling of roses advances step by step, work on amnesty for crimes of wealth is also progressing rapidly.

Their first accomplishment was to issue a government decree concerning Turkish-Saudi finance corporations. The Council of Ministers took office on 14 December 1983. Two days later, it issued a decree concerning the Al Baraka and the Faisal Financing corporations. In other words, the ministers granted privileges to Al Baraka before even opening the chocolate boxes they had bought for their guests. The Prime Minister's brother and a provincial leader of the ruling party became partners [in Al Baraka]. The ruling party's deputy leader took his share from the Faisal Corporation. Former assembly deputies from the National Salvation Party and the Nationalist Action Party became partners in "the company with the three crescents." Although banks were barred from advertising on Turkish Radio and Television, the company with the three crescents easily overcame that legal barrier.

What else did happen?

In order for a foreigner to buy immovable property in Turkey the laws required the "condition of reciprocity." In other words, in order for a foreigner to be able to buy immovable property in Turkey Turkish citizens must reciprocally be allowed to buy immovable property in the country of the person concerned. This legal obstacle was removed by the Motherland Party [MP] government, and Saudi princes and businessmen were granted the right to buy immovable property in our country without requiring them to comply with the "reciprocity condition."

Also, it was learned about this time that Istanbul Mayor Bedrettin Dalan has a business partnership with Saudi businessmen.

The Bosphorus Law which imposes severe restrictions on homes to be built in the Bosphorus area stood as an obstacle before the Saudis who were buying building sites. Eventually a way was found around that obstacle, too. With a small change in the Building Law it was contemplated to shelve the Bosphorus Law which was enacted during the 12 September period. It is virtually certain that this

bill, which is currently being examined by Assembly commissions, will pass through the Assembly, and all authority concerning the Bosphorus will be concentrated in the hands of Mayor Dalan who is the Arabs' business partner.

We will see the rest of the story together.

Let us give some examples on another issue.

The MP is, by its own description, a "liberal" party. Then the party's views, posture, ideology and philosophy should naturally be liberal. This concept of "Turkish-style capitalism" which excludes political liberalism from its agenda has restricted its liberalism solely to [pardoning] foreign currency offenses.

The MP's first act regarding foreign currency offenses was the issuance of a directive in accordance with the Law of the Protection of the Value of the Turkish Currency. This directive decriminalized the possession of foreign currency and guaranteed that the source of the foreign currency in anyone's possession would not be questioned.

This guarantee was rational and acceptable, but there were people imprisoned in jails for these offenses. What would be done about them? There were also people who had been tried for these offenses and could not leave the country. What would be done about their situation?

A way was found for these latter cases. With small changes in the Passport Law the legal hurdles barring those who had been tried for foreign currency and customs evasion offenses from leaving the country were lifted.

But what would happen to those who were serving time in prison for similar offenses?

In reality, the MP thought that its directive provided the necessary pardon for these offenders. But the Supreme Court of Appeals ruled that such offenders could not be pardoned by a directive but by a law. Thus, an amnesty law was necessary for this issue.

Now this amnesty law is being prepared.

A law has already been enacted pardoning conditionally offenses involving writing unpaid checks. Now the time has come to pardon offenses involving foreign currency and customs duty evasion.

All these are being realized step by step. They get furious when they are criticized. But wait, you are still at the beginning of this road. There is so much more to come.

A mayor who is supposed to tackle Istanbul's water shortages and muddy streets spends his time with Arab friends and uses his energy to "rebuken" the press criticizing Arab capital.

The mayor responds to our articles on Arab capital by saying that "new Lawrences have sprung up" and by emotional remarks such as "Arab and Turkish bloods are mixed together."

It is true that Turkish and Arab blood have mixed together. During World War I, the Arabs collaborated with the British to strike at the Ottoman Empire from the back, and the blood of Turkish soldiers was spilled. If any blood has mixed together, this must be it!

British agent Lawrence is the person who instigated the Arabs to rise against the Turks. He is also a friend of the Arabs to such an extent that the Arabs have declared him a "national hero." These facts must be added to Dalan's knowledge and understanding of history.

What is important for us is neither racism, nor this, nor that. The issue is the political effects on Turkey of Arab capital which has become one with American imperialism. What is forcing us to write these articles is our awareness of "independence"--an awareness which, to quote a marketplace term, "is needed for every home."

At one time we were friends with the Germans, then we became friends with the Americans. Now we have hug-and-kiss "arabesque" friendships with Saudi princes, prime minister's brothers, party leaders and mayors in partnership with Arabs.

"Oh Turk, shiver and turn to yourself."

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POLITICAL

TURKEY

CAUTION URGED IN POSSIBLE TURKISH ROLE IN MIDDLE EAST

Istanbul MILLI GAZETE in Turkish 6 Apr 85 p 4

[Editorial by Edip Gonenc: "Our Role"]

[Text] Prime Minister Turgut Ozal's visit to the United States cannot be decoupled from regional developments. Indeed, in his first evaluation of his ongoing visit the Prime Minister emphasized the close relationship between his visit and the Middle East problem. In fact, he virtually commented on Turkey's position with respect to U.S.-Middle East relations rather on Turkish-U.S. relations.

It is obvious that certain vacuums have emerged in U.S. relations with the Middle East as a result of recent developments. It can be said that the Iranian revolution forms a major portion of this vacuum and that Egypt's failure to execute its political mission properly vis a vis the countries of the region has also played a role in the creation of this vacuum. On the other hand, the United States' policy in the region rests on an precarious balance which cannot tolerate such vacuums. Moreover, it was inevitable that Turkey would meet the Middle East at a crossroads as a result of its natural path. No matter what happened, Turkey could not remain politically and commercially isolated from the countries of the region. Despite pretexts and obstructions such as secularism and westernization, such a development was inevitable. In addition, we do not think that such a development will jeopardize secularism and other fundamental concepts as is commonly alleged. The prospect that Saudi and other governments may jeopardize Turkey's choice of secularism is a highly debatable point. Everyone knows today that the liberal and pro-Western governments in the Middle East want to establish closer relations with the West and to align themselves with the West despite their outward appearances.

As we tried to explain above, it appears that the Prime Minister's current visit will touch upon the Iran-Iraq war as well as other tough regional problems such as the Palestine-Lebanon and Egypt-Israel issues. The nature and scope of the functions Turkey will take on to fill the vacuum created for U.S. policy in the Middle East are very important. The United States, which constitutes a resistance front against communism and similar strategic dangers and which conducts its regional policy under this disguise, will propose to Turkey a function which will be contingent on possible developments in the Iran-Iraq war. In the event the escalating war ends with Iran's victory, the United States cannot be expected to accept that result. Comments on the issue

widely agree that as a country well-positioned to monitor these developments, Turkey is open to U.S. requests as an ally. However, the issue of what benefits Turkey can gain from such a stance must be carefully thought out.

In unblocking the U.S. regional policy bottleneck thought must be given to the reasons of Turkey's obligations to take on commitments. The issue of how such a heavy commitment which may lead to many hazards can affect Turkey's well-balanced relations with the countries of the region will naturally be given careful consideration.

It appears that in addition to its economic relations Turkey will also assume a political role in the region's intense traffic. It is hoped that the line of action to be taken will not hurt Turkey and the countries of the region. If taking part is absolutely essential, then the issue of where that role will take us must be carefully thought out.

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POLITICAL

TURKEY

HAK-IS, SCHOLAR DEMAND RELAXATION OF LABOR LAWS

Istanbul MILLI GAZETE in Turkish 6 Apr 85 p 6

[Text] Mehmet Er, the organizational secretary of Hak-Is [Turkish Moral Rights Workers Union] and secretary general of the Oz Iplik [expansion unknown] labor union, said in a written statement that "as the process of transition to democracy gains momentum laws related to labor life which were enacted under emergency conditions and which give rise to practical bottlenecks today must be reorganized in a way that befits democratic societies." Er added that Turk-Is' [Turkish Confederation of Labor] demands regarding labor laws stem from a desire to monopolize labor unions and to restrict the unions' maneuvering room.

Insisting that existing laws impose an environment of complete restriction on forming and running labor unions and that the 10 percent threshold requirement will result in a monopolist union structure, Er said that the 10-year actual apprenticeship requirement for union administrators discourages the emergence of natural labor leaders and that the exemption of employer unions and their administrators from the 10-year requirement contradicts the constitutional definition of a classless society that is free of special privileges.

Er added that legislation regarding collective labor agreements gives an excessively free hand to the employers while curbing the efficacy of labor unions and that the requirement that employers be informed about the union membership of their employees provides them with grounds to fire them.

Meanwhile, Professor Alpaslan Isikli, a former faculty member of the School of Political Sciences at Ankara University, stated that the current legal framework for Turkish unionism is a natural outcome and an inevitable precondition of the monetarist economic policy being implemented.

Speaking at a conference organized by the Civil Servants' Association, Professor Isikli said that existing laws severely curtail the right to strike and that this fact has been underscored on several occasions by the International Labor Organization [ILO], which is an organization with international authority.

Professor Isikli said:

"The existing legal framework for the Turkish union movement is a framework that is mandated by and is in compliance with monetarist economic policies.

When the monetarist economic policies were first instituted by the 24 January 1980 decisions, it was emphatically stated that these decisions would eventually bring about a political and legal framework that would be compatible with the decisions. Indeed, the existing labor laws that were enacted during the 12 September period which followed the 24 January decisions have outlined the legal framework necessary for these measures. Thus, this government which is the loyal representative of the monetarist viewpoint has been provided with a rose garden with no thorns."

Charging that current laws severely curtail the workers' right to strike and noting that the ILO has repeatedly pointed out to this fact on several occasions, Professor Isikli said:

"An intense debate has been raging in recent days on whether strikes can be held within the framework of existing laws. The ILO, which is an internationally authoritative organization, has pointed out on several occasions that existing laws severely curtail the workers' right to strike in Turkey. However, whether strikes will be held under these laws is another question. Because, in any country one cannot say whether a strike will be held or not simply by looking at the laws. There are countries where strike rights are so generous that it is virtually unimaginable for us. Yet, in those countries strikes are so rare that they are virtually nonexistent. The Scandinavian countries are good examples of that. On the other hand, in some countries where strikes are categorically banned, we find cases of widespread strikes--such as in Chile and Poland."

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5 June 1985

POLITICAL

TURKEY

QUALITIES SOUGHT IN PROSPECTIVE DLP FOUNDERS DETAILED

Istanbul CUMHURIYET in Turkish 24 Mar 85 p 6

[Text] Ankara--Candidates wishing to become founding members of the Democratic Left Party [DLP] will have to fill out application forms which contain questions primarily about their personal status and their political inclinations. The application forms will then be sent over to the DLP headquarters where the candidates will be screened. The founding members will be selected after the screening procedure is completed.

Qualities sought in prospective DLP founding members include: sincere endorsement of the democratic left principles, no links with other leftist movements, no previous involvement in acts of violence, no record of ethnic, religious or sectarian discrimination, no record of harming the unity of the leftist movement in the past, no record of party favoritism or factionalism and a record of inspiring confidence in his circle through good personal behavior and conduct.

The statement also says:

"Social organization is very important for a democratic left or social democratic party. Although the laws of our country bar political parties from establishing any links with any social organizations, even without such links, persons experienced in social organization can contribute to the party with their experience. Consequently, it is necessary to know which members have what type of experience on the issue of social organization."

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POLITICAL

TURKEY

TIR DRIVERS HARASSED BY TURKISH POLICE

Sofia SOFIA NEWS in English 24 Apr 85 pp 1, 8

[Text] **Kapitan Andreevo. From our special envoy Lev Kokushkin.**

am at the very international border. Bulgaria is behind my back, the fields of Greece are clearly visible to the right, and a Turkish frontier guard stands at more than 50 m away. Here, our checkpoint Kapitan Andreevo, is the meeting place of these three Balkan countries, ought together rather than separated by the Maritsa river. I can see the almost uninterrupted flow of motor cars and heavy trucks heading for

Turkey and the Near and Middle East, or transiting Bulgaria for Central and Western Europe. It is quite a job to be sitting for hours on end behind the wheel of a vehicle with more than 20 tons in the cargo box.

All sorts of contingencies may happen during the many days of travel abroad. In recent months the drivers of the Bulgarian Economic Association International Automobile Transport (SOMAT), who cross Turkey for Iran, Iraq, Syria and other countries, have been faced with an additional problem: the

Turkish traffic police.

"Chum, give baksheesh"

"... Two black cars with the white bands of traffic police caught my TIR in a pincerlike manoeuvre not far from Ankara," says Nikolai Nichev, SOMAT trucker from Sofia. "The cop of the car behind came up first: 'Chum, give thousand lira baksheesh!' I give the money, I start off and I am straight away waved down by the front car. The procedure is identical.

Nikolai shows me 21 tickets

for all sorts of "violations" he has committed to the total value of 220,500 Turkish Lira (1 US dollar approximately equals 450 lira). Nichev was returning to Bulgaria from Iran via Turkey together with his colleague from Rousse Simeon Simeonov, who this time "got away" with no more than 14 tickets for the "insignificant" sum of 93,500 lira. One of his tickets registered 12 violations at a time (including the uprooting of roadside trees). "I have crossed Turkey some two dozen of times, but that was the

most outrageous of my experiences," he says. "And yet I think I was lucky. The point is that my vehicle is white, which is not typical of the SOMAT trucks, and the traffic police officers must have taken me for anybody but a Bulgarian."

That day the "record holder" was Zhivko Yovchev from Sofia, who in 80 km was fined 23 times by the traffic police, and one of his tickets relieved him of 70,000 lira. "I can't stand it any more to drive across that country," he complains. "Even when I fall asleep, my dreams are filled with the traffic police white caps. And this is quite understandable, since when he waves you down, the cop makes a show of taking his gun out of the holster and simply asks you for a "baksheesh" or a fine of 30,000 and more lira.

How long will SOMAT be solvent?

"I think this is precisely the aim of the Turkish traffic police officers: to scare our truckers," says Yancho Yanev, chief of the SOMAT bureau in Kapitan An

dreevo. "And to squeeze as much money as they can from our association. In less than two months the Bulgarian drivers "handed out" some two million dollars in fines and "baksheesh" to the traffic police in Turkey. It is not for nothing that recently the policemen have been making fun with our truckers while fining them, "How long SOMAT will have money to pay"

Or they would throw in a challenge: "SOMAT- finish!"

As is known, the SOMAT association has for long been a leader in Europe's international road transport. It handles cargoes on land and water routes in Europe, Asia and Africa. Thanks to its precision and reliability, SOMAT has won an exceedingly high prestige with its numerous customers. Perhaps this is one of the reasons why it should be attacked by the Turkish traffic police who are trying to hamper it from honouring its obligations.

"To tell you frankly," Yancho Yanev went on to say, "now our truckers are quite reluctant to set on routes passing across Turkey. But they are very well aware that we must fulfil our old contracts and that we do not intend to shun new ones."

Mr Yanev cited numerous facts of SOMAT truckers having been maltreated by the Turkish traffic police: they do not let them in certain parking lots, motels and filling stations. More often than not the Bulgarians bring back home black eyes and wounds on their arms. One of our oldest truckers from Bourgas "Uncle Mitko" as he is known in the association, was taken to a Turkish police station



OMAT trucks returning from Turkey at the Kipchan Andreyev border checkpoint. Simon Simonov (left) has been fined by the Turkish police on 14 occasions for a total of 93,500 lira, plus being fined 10,000 (1,000) and 20,000 (2,000) for driving a truck without a license. Nikolai Vichera was fined 27 times in a fine of 220,300 lira. Both have been SOM T drivers for many years, and have never been arrested elsewhere in Europe or Asia.

Photo: Reuters



The Azays, a Turkish family, crossed from Kalotina to Kapitan Andrevo without a single problem

and beaten black and blue with a pistol butt because he claimed he was a Bulgarian and not a forcibly renamed Turk. The traffic police officers take it out on the SOMAT truckers for some reprisals against the "Turkish minority" in Bulgaria, or at least the local media allege so.

"I think our drivers are showing real heroism by discharging their duty and by standing firm to the traffic police provocations", notes Peter Djermanov, controller at the SOMAT head office. "And provocations like these are numerous and diverse."

Nikolai Nichev told me that 22 SOMAT trucks have been detained by the police at a parking lot because the traffic police officers wanted a "baksheesh" in dollars.

Abdullah Azay:

"Nobody has even touched us in Bulgaria"

Recently the Turkish *Hürriyet* newspaper ran a feature entitled "Turkish TIR Truckers Complain of Bulgarians". Ismail Ali, well known for his "objectivity", writes that while Bulgarian soldiers control the movement of Turkish drivers across the

country, "do even do not let them in the toilets, the Turkish traffic police are quite correct in their contacts with the SOMAT truckers."

At the Kapitan Andrevo parking lot I had a chance to talk to many Turkish drivers, who have crossed Bulgaria en route to their homeland. Celal Pelisan and Ibrahim Taftan of Istanbul's Er San company drive across our country more than twenty times each year. Now they are coming from France. During their travel along the Hemus Motorway the Bulgarian highway patrol fined Celal 20 leva for breaking the speed limit on entering a tunnel. "I don't mind this fine," he said.

"I know my Bulgarian colleagues are being much more heavily fined in Turkey, and Allah forbid that the Bulgarian highway patrol start treating us in the same way." Other Turkish drivers have not been fined at all. In transiting our country they can stop at Kalotina, Dragoman, Plovdiv and Kapitan Andrevo, where there are parking lots, restaurants and convertible currency shops. Mr Celal and Mr Ibrahim said that during their trips they have helped our drivers in trouble, and their

colleagues of SOMAT have returned the favour.

I also talked to the Azays, an amiable Turkish family who work and live near Innsbruck in Austria and are now going home for the holidays. "We cross Bulgaria every year," says Abdullah Azay, "and we have never had any problems with Bulgarian highway patrols or with the Bulgarian police. When you stick to the traffic code, nobody touches you."

...Hundreds of heavy duty trucks belonging to various Turkish firms cross Bulgaria in transit every month. Nearly two thousand SOMAT automobiles cross the Bulgarian Turkish border over the same period. At present their drivers have been turned into a milch cow for the traffic police, who are making money out of them. But what do the goodneighbourly relations between Bulgaria and Turkey stand to gain from all this?

MILITARY

EUROPEAN AFFAIRS

SWEDISH, NORWEGIAN FIRMS SEE INCREASED JOINT ARMS VENTURES

Oslo AFTENPOSTEN in Norwegian 16 Apr 85 p 21

[Article by Brit Myhrvold]

[Text] The Swedish group Saab-Scania now purchases automobile parts and other products from Norwegian industrial companies for about 150 million kroner annually, but plans a significant increase in the years to come. In addition to Volvo, Daimler-Benz, and MAN, Saab-Scania is interested in obtaining a contract with the Norwegian military for new trucks. On Monday Saab-Scania met with representatives of many Norwegian companies.

"We are not seeking a krone-for-krone compensation agreement, but we want long-term industrial cooperation, since Norwegian industry is competitive both commercially and technologically," said vice administrative director Bertil Krook, who represented Saab-Scania in its meetings with the Norwegian companies. He stressed that the group was not only a major automobile producer, but that its activities were based, to a great extent, on high technology. This is especially true of the aviation division and of a group of companies that have joined to form Compitech. Saab-Scania has combined a number of its high-technology divisions to form separate companies. This is true of its activities in electronics, microcomputers, optics, laser technology, and others. Saab-Scania also includes Enertech, which is active in the energy sector.

Bertil Krook said that Saab-Scania's total purchases last year amounted to 10 billion kroner for the entire group of companies. The entire group grossed 26 billion kroner last year and had an annual balance of accounts of 2.6 billion Swedish kronor. He called this figure satisfactory, especially considering the large investments that were made in new projects and new models. This applies to private automobiles, trucks, and airplanes, including the development of an airplane for civil aviation. Last year Saab-Scania sold 100,000 automobiles and believes it can increase this figure by 50 percent. The group has 15 percent of the world market in truck sales.

It was stressed at the meeting that Saab-Scania placed great demands on its subcontractors, with regard to price, quality, and deliver dates. The time between the arrival of components and raw material and their shipment as

assembled goods is being steadily reduced. In the area of automobile production, the goal is for half these components and raw materials to be used in production immediately without being placed into storage. This places great demands on subcontractors. It was also stressed that it was easier to obtain orders for producers who were personally involved in product development and that this would be possible for Norwegian industries.

Oscar Gilje of Hartmark-Iras said at the meeting that the Norwegian automobile parts industry had now surpassed the billion-krone mark in gross sales. That represents a real increase of 30 percent during a 5-year period and a 25-percent increase from 1983 to 1984. Several of the largest producers are now working together in the area of exports. These include ASV, Kongsberg Vapenfabrikk, Raufoss Ammunisjonsfabrikker, Dyno Industrier, and others. Sweden is the largest purchaser of Norwegian auto parts, with West Germany in second place.

Gilje stressed that Norwegian production was highly automated and that we were far advanced in working with materials such as aluminum, magnesium, and plastics. The same applied to electronic guidance and control systems, he said. Norwegian industry also supplies brake systems, gasoline tanks, wheel rims, bumpers, and other parts.

Of the four truck producers that are competing for truck contracts with the Norwegian military, Saab-Scania is now in second place when it comes to purchases from Norwegian industries. Volvo purchases much more--about 550 million kroner, while Daimler-Benz purchases much less.

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MILITARY

AUSTRIA

EXAMINATION OF PROBLEMS OF DEFENSE BUDGET

Vienna OESTERREICHISCHE MILITAERISCHE ZEITSCHRIFT in German Mar/Apr 85
pp 97-103

[Article by Friedrich Hoetzl: "The Austrian Defense Budget"]

[Text] The term budget is defined as the established system of planned expenditures and anticipated revenues during a given fiscal period. The budget is representative of the public sector share of the overall budget of the national economy.

The defense budget represents that part of the overall budget which includes national defense revenues and expenditures. In Austria, all planned revenues and expenditures for the purpose of national defense—with the exception of funds earmarked for the ministry of construction and technology to pay for military buildings (e.g. barracks) and the necessary real estate (e.g. barracks compounds)—are listed and proposed under one particular title, i.e. title 40: military affairs.

The fiscal plan (e.g. a 10-year investment program) differs from the budget. Whereas the budget is of a binding nature, a fiscal plan represents a projection of long-range political goals, e.g. investment programs over the next decade. The government departments are bound by the budget; but there is no such provision regarding a fiscal plan.

The defense budget is an annual budget which coincides with the calendar year and involves a three-stage procedure each year:

- the department's budget proposal
- its inclusion in the budget act
- its control on the basis of an annual closing audit

The constitutional right of parliament to approve the budget can also be viewed subjectively—as the embodiment of the right of parliament with regard to the determination, implementation and control of the budget—or objectively, as the totality of legal provisions which regulate the preparation of the budget proposal, its fiscal implementation and its control.

In the course of history, increased needs (not least of all as a result of wars) and insufficient revenues from its domains and royal prerogatives forced the Austrian rulers to call upon the various social classes within its territory to make the appropriate contributions. This concept developed into the right to levy taxes. The Pillersdorf constitution of 1848 already provided for the collection of taxes and issuance of an annual financial report by law; but it never went into effect. In the February patent of 1861, all imperial financial matters, in particular the estimates for the national budget, fell under the purview of the Imperial Council. The December constitution of 1867 provided for budget approval by the Council and this provision remained in effect until 1920.

In 1920, the Federal Constitution Act was adopted. Paragraph 51 of that act provided for approval of the budget by the legislature.

Let us now look at the evolution of the Austrian budgetary system and the legal principles underlying the budget process. At the beginning of the 18th century, the national budget was divided into a cameral budget and a military budget. Even then, the military budget listed the amounts for expenditures (needs) and funding (adequate cover). The financial problems brought about by wars revealed the need for financial equilibrium, and in 1720 the first fiscal plan (for a period of 11 years) was drawn up in Austria. As so much else, the first overall budget proposal in 1748-49 was drafted during Empress Maria Theresia's reign and already contained the seeds of a central treasury. The Imperial Accounting Office, established in 1761, was responsible for drawing up the annual budget proposals of the civilian and military administrations.

In 1863, an ordinance was passed which laid down the guidelines governing the compilation of the draft budget, fiscal policy with regard to credits and the publication of an annual report on the government's balance of accounts. This ordinance was superseded by the Administrative Reduction Act of 1925 and the Federal Budget Act of 1926.

Preparation of the defense budget, as a part of the overall budget, is subject to the same legal provisions as those which apply to the preparation of the budget as a whole. The main provisions are contained in article 51 of the Federal Constitution Act:

- deadline for submission: 10 weeks prior to end of fiscal year
- account of revenues and expenditures, i.e. no net budget
- all expenditures valid for only one year
- confidentiality of content (prior to deliberation in parliament)

Paragraph 2 of article 51 is the constitutional basis for amendments to the federal budget act and for supplemental appropriations bills.

Article 6 of the 1925 Administrative Reduction Act (VEG) also contains detailed relating to budget proposals, fiscal policy and accounting procedures.

The 1926 Federal Budget Ordinance (BHV) contains regulations for implementing article 6 of the VEG and is the most important basis for preparing and implementing the budget proposal.

The Budget Act (BFG), i.e. the budget proposal as approved by the lower house of parliament, is valid for only one year at a time. It comprises the **budget text**, a number of appendices (e.g. the budget proposal [BVA]; an estimate adjusted in line with economic trends; the staffing pattern; standard specifications for motor vehicles, watercraft and aircraft as well as data processing systems) and the appropriate explanatory text.

The BVA is an annual, systematic compilation of binding partial estimates (departmental estimates) of the expenditures planned for the upcoming year and an estimate of the anticipated revenues to cover these expenditures. In keeping with the responsibilities of **most departments and some government institutions** (e.g. the national theater and the federal railroads), expenditures play a primary role—while at the finance ministry revenues, of course, clearly predominate. In preparing the budget proposal, the guidelines contained in article 51 of the federal constitution, in article 6 of the VEG and in the BHV (one-year validity, uniformity, completeness, gross budget figures, budget accuracy, non-confidentiality, specialization and adaptability to changes in economic policy) are to be taken into account.

The following points are to be observed in structuring the budget proposal:

Main proposal: summary of expenditures and revenues under specific titles; only these are a part of the BFG and are subject to lower house approval.

Additional appropriations: these are not part of the BFG but special documents in which the above **budget items are spelled out in detail so as** to lend greater weight to the budget submission as a whole.

As of 1967, both the BVA and in the individual budget items have been listed according to titles and are numbered by tens.

Now for the preparation and implementation of the defense budget. Guidelines for preparing the budget are issued by the finance ministry in accordance with BHV regulations. These guidelines contain the prerequi-

sites, the basis of assessment and the deadlines required in the preparation of the estimate, in addition to the instructions regarding the pertinent legal provisions.

Based on these guidelines, all departments are requested by executive department B to compute and/or estimate and define the data pertaining to their area of responsibility. The departments may assign preparation of the data to subordinate service agencies. The national defense plan is the basis for determining these figures for expenditures; the intermediate stage currently serves as the medium-term objective. The allocation of expenditures by specific budget titles (e.g. personnel and materiel) is performed by executive department B.

Title 0, i.e. personnel, expenditures are estimated only for personnel documented as part of the staffing pattern. The actual amounts are based on current figures, expected advancements and promotions as well as possible supplementary allowances payable on the basis of salary negotiations or the addition of regular staff positions. What follows is a listing of the specific budget items:

- 1/40000: defense ministry personnel costs=headquarters personnel costs;
- 1/40100: armed forces and armed forces administration personnel costs= personnel costs for all lower echelons of Austrian army;
- 1/40400: Museum of Military History; Military Science Institute;
- 1/40500: armed forces agricultural and forestry operations, Allentsteig.

Expenditures for materiel are divided into the following categories:

- investments: Title 3
- subsidies/loans: Title 5
- subsidies/grants: Title 6
- expenses (legal obligations): Title 7
- expenses (current accounts): Title 8

Investments are defined as all expenditures which result in a conversion of government funds from actual cash amounts into material assets (with the exception of minor household items valued at less than 5,000 schillings). In accordance with international practice, however, military goods are considered consumer goods and thus are not included under investments but are budgeted as expenditures. Thus, the central administration of the defense ministry must only list those assets which are in excess of 5,000 under an investment title. Title 1/40003 is used for office furniture and other furnishings as well as defense ministry vehicles whereas title

1/40103 is used by other departments of the ministry to provide for real estate purchases for firing ranges and training areas. This latter budget item is very hard to estimate, since only very specific pieces of property are considered and the signing of a contract always hinges on the owner's willingness to sell. Negotiations may sometimes drag on for years. Despite the ~~annual~~ nature of the budget, provision is made for a reserve fund consisting of unused credit which can be used to buy real estate.

Expenditures for government loans include cash loans, annuities, interest payments and allowances for credit charges as well as other government grants for services already performed or planned which are deemed worthy of funding, without the expectation of an immediate, corresponding return. This particular budget item is always singled out for criticism, e.g. the treatment accorded by parliament and the media to the report on subsidies and the attempts to cut them.

Determining the cost of advance pay is fairly simple, since this figure represents a certain percentage of service pay overall, i.e. 1.5 percent in 1983 as against one percent in 1984.

Of all the government departments, the defense ministry has by far the least funds available for subsidy payments: the 1983 total was 18.6 billion schillings, of which 1.6 million schillings went to the defense ministry. These funds are therefore only available to applicants for grants for projects which broaden and enhance the interests of Austrian national defense or for leisure-time activities to improve the physical condition of army personnel.

Under Title 7—expenditures required by law—only those expenditures which are legally binding in terms of type and scope may be budgeted, e.g. under the Military Levy Act, the Family Compensation Act, the law providing for supplemental cash awards for medal of honor winners, etc. The central administration and museum of military history budget items (1/40007 and 1/40407) merely include costs arising under the Family Compensation Act. The Allentsteig agricultural and forestry operations budget item (1/40507) includes federal taxes and property taxes and the armed forces/armed forces administration budget item (1/40107) in effect covers personnel costs for draftees.

The budget proposal is based on the likely number of inductees as determined by the operations and the replacement departments as well as the number of reservists to be detailed to training exercises. Costs for long-term servicemen, who are likewise (longer-serving) active-duty soldiers, are also to be included in the budget estimate. Finally, personnel costs for servicemen serving abroad, based on information provided by the general staff, are also included in this item.

All of the budget items cited thus far are fairly easy to determine and estimate because the legal guidelines stipulate the type and amount of expenditures on a per capita basis and estimates of strength are also provided. But difficulties do arise particularly in the case of those budget items which depend on the availability of funds after personnel costs and legal obligations have been taken care of and/or whether the remaining funds (still) suffice to present an adequate proposal in the eyes of the political leadership. These expenditures are sometimes referred to as discretionary expenditures—a misleading term because the tasks to which they are applied are likewise of a highly obligatory nature. The budget items under section 40 to which this applies are the following:

- 1/40008: defense ministry expenditures;
- 1/40108: armed forces/ armed forces administration expenditures;
- 1/40408: Museum of Military History expenditures;
- 1/40508: Allentsteig agricultural and forestry operations expenditures.

Items 1, 3 and 4 above essentially cover the operating costs of the headquarters operation, the Museum of Military History and the Allentsteig operation which, incidentally, is funded only pursuant to specially earmarked revenues. Discretionary expenditures clearly make up the major portion of budget item 1/40108. Only to the extent that funds can be made available for this budget item can continued operation, replacement of useless equipment, increases in the material strength of the armed forces and the fulfillment of the national defense plan be assured.

Preparation of Departmental Budget Proposals

Determination of costs under budget item 1/40108 is the responsibility of Section IV which takes care of most procurement. The type and scope of procurement is determined in collaboration with the general staff which has the responsibility for overall planning and coordination.

As a rule, all such coordinated, planned procurements tend to substantially exceed the amounts prescribed by the finance ministry guidelines. The procurement plans themselves must be submitted to the finance ministry by mid-June after thorough review (aimed at instituting possible reductions and/or cutbacks) together with all other documents, including an itemized list, explanatory notes and standardization plans, etc. Along with this, a staffing pattern will be prepared on the basis of negotiations with the federal chancellery (i.e. section II, representatives of the chancellery and the finance ministry). The staffing pattern itself serves as the basis for calculating personnel expenditures.

The departmental proposals are negotiated at the administrative level in late June or early July and then form the basis of the first draft budget. This document will reflect the difference between the department request and the finance ministry guidelines; since cuts can usually be made on the basis of the guidelines but will not always be the result of mutual consent. Reassessment of disputed budget items (in the case of the defense ministry this usually applies only to item 1/40108) occurs in early September at the ministerial level. In this procedure, the finance minister tries to reconcile the needs of a sound fiscal policy with the overall goals of government policy; whereas the defense minister concentrates on obtaining at least the minimum funds necessary for continued implementation of the national defense plan.

Ultimately, the draft budget is submitted to the cabinet for a vote by the finance minister and the staffing pattern is submitted to the council of ministers by the federal chancellery for approval. This is followed by submission of the government bill to the lower house (under the abovementioned deadline requirements). The bill then goes through the normal parliamentary process: first reading in plenary session with a budget message by the finance minister; debate in the finance and budget committee; a second reading in plenary session and a third reading with a final vote and the adoption of the budget. The text of the budget is then published in the federal record (BGBI) and since the National Council (or upper house) has no right of recourse, it may be published without further delay.

Approval by the lower house is given on every amount listed under each individual budget item. This is another way of saying that it is possible to shift funds within a given budget item during the course of a fiscal year but that portions of a credit balance cannot be transferred from one budget item to another. The right of the lower house to shape the national budget remains in effect throughout the fiscal year and is exercised in the form of supplemental appropriations and amendments to the budget as a whole. If the finance minister has not already received the authorization as part of the budget act (e.g. authorization to exceed amounts for budget items involving personnel costs; costs based on legal obligations or the release of portions of the economic compensation proposals), the lower house becomes involved in the formulation of the national budget primarily in an advisory capacity and in votes on supplemental appropriations.

Use of Approved Funds—Implementing the Budget

In order to realize planned procurements and assure continued operation, the credit balances assigned to the defense ministry in section 40 of the Budget Act are made available to the ministry in the form of a catalogue of appropriations (in which the budget items are broken down and clarified in terms of end use). The various departments of the ministry plan and execute procurements or have the authority to issue orders for payment and receipt in the accounting of certain budget items. In the area of

personnel, the staffing pattern defines the maximum limits on staff as such. The standardization plan for motor vehicles, watercraft and aircraft (which really applies only to the central administration) is the basis for defining the upper limit of procurements in these areas. With regard to procurements as part of discretionary expenditures (under budget item 1/40108) use of such a catalogue would not prove effective.

Since it is impossible to assign separate budget items to individual departments (and since, in fact, several departments are usually subsumed under one heading), the catalogue serves as a planning guideline arranged according to the procurement plans of the individual departments. This detailed planning guide lists every expected procurement item for a given fiscal year and serves as the basis for procurement of materiel. In addition to the detailed planning guide, all the departments are provided with guidelines on procurement procedures insofar as the finance ministry guidelines spelled out in the budget act require further clarification with regard to the operations of the defense ministry.

Ordering Procedures

Before a bill can actually be paid, a number of departments and other agencies will necessarily become involved. Let us now elucidate this procedure on the basis of major procurement items.

Planning of a specific project in any given year must already have commenced in March of the preceding year and where coordination of various types of equipment or components is involved, agreement should be reached among the various departments involved (e.g. in the case of weapons or radio equipment and the appropriate carrier vehicle). The quantities of equipment to be purchased will depend on the organizational chart, the unit manning document and planned activation schedules for the upcoming time period, etc. Under certain conditions, budget cuts at the administrative level may lead to reductions in quantity which can only be offset in part by later additions at the ministerial level.

Taking all these intangible factors into account, the department making the procurement shall prepare a procurement proposal after obtaining a pilot bid. The procurement proposal must contain a statement of the availability of cover, which will be checked and confirmed by executive department B. This makes sure that funds for a specific project will be set aside and that an order, i.e. a financially binding contract, can be drawn up. Depending on its nature and scope, this order may be in the form of an international invitation of bids (GATF), a public invitation of bids or placement with a supplier of one's own choice. The basis for procurement procedures is Austrian national standard (Oenorm) A 2050 as well as the guidelines for the procurement of services (RVL) and the internal departmental guidelines on procurement and other commercial transactions (RfB).

Based on the results of the bidding process, the need for additional cover or a reduction of credit may arise (based once more on the proposal for cover by the procuring department). If need be, the postponement of a (production-related) delivery deadline will result in the appropriation of funds in the following year's budget. Any such commitment must be entered in the following year's budget as a (previously) fixed cost.

Once the required amount, based on an expected order, is finally determined, it is so listed in the order file. At the same time, the bookkeeping department is instructed to transfer this amount from phase 2 (available funds) to phase 3 (obligations). Depending on the expenditures already incurred during a given year and the cost of the items ordered, the finance ministry may also have to be consulted. Whenever there is an unrealistic assessment of bureaucratic procedures and the length of time it takes to process orders, a large number of transactions cannot be completed because the deadline for awarding contracts has passed or the supplier has not met his particular deadline. The only way out of this problem is to spread labor-intensive, large-scale orders out over a period of several years (as concerns delivery schedules)—but this leads to a rather substantial commitment of funds in prior years.

Prior commitment of funds is defined as legally binding obligations to be met as they come due through expenditures in subsequent fiscal years. Constraints on planning, however, make it difficult to devise more manageable (and simpler) ways of working with the budget. Moreover, one needs to consider the higher cost factor resulting from the suppliers' customary request for a sliding price scale which applies even when payment is made on delivery.

Each of the items listed in the catalogue is entered into a single account by the bookkeeping department. This account is divided into several phases as follows:

Phase	Designation	Directions
1.	Approval	amount estimated in catalogue entered according to individual item
2.	Availability	funds still available for particular item entered here
3.	Obligation	amounts obligated on the basis of commitments (e.g. orders, purchasing contracts) are entered here

4. Liabilities once a bill has been presented for payment, obligations are transformed into debts which are entered here unless they are paid without delay
5. Payments amount of payments already made; closing of accounts
9. assistance phase (supplemental appropriations act [BUeG], obligations)

The bookkeeping department shall register all business transactions (transferring from phase 2 to phase 3) as soon as a departmental obligation has been presented, and shall register incoming invoices either as liabilities (phase 3 to phase 4) or as paid (phase 3 to phase 5 or phase 4 to phase 5). The bookkeeping department shall also provide assistance to **any** department requesting it.

Once the orders have been delivered and both their proper condition and the accuracy of the invoices have been verified, the bookkeeping department makes out a statement of accounts. If the goods are received without delay and the proper invoices are presented without delay, the bookkeeping department is in a position to take advantage of cash discounts. If sufficient funds are not available, an entry is made transferring the amount in question from phase 3 (obligations) to phase 4 (liabilities). Otherwise, the funds are transferred to phase 5 (payments). Payment of final invoices closes out the account.

The bookkeeping departments of all agencies involved in financial transactions have a data link with the finance ministry via the Federal Data Center—which means that the defense ministry always has access to the current status of available funds, the obligations incurred and the payments made. The finance ministry, in turn, has complete daily information concerning the status of the overall budget.

Serious problems arise when planned procurements are not realized on time. If funds are designated for procurements and bids **are not** invited on them for months, the amounts set aside for such procurements cannot be released for other purposes. But even if such reserved funds are generously "released" toward the end of the year, they **are** of limited use, since newly ordered goods can hardly be expected to be delivered within such a short period of time.

Senseless waste of budgetary funds at the very end of the year cannot be condoned under any circumstances. One way to resolve this problem, as we mentioned earlier, is to undertake large-scale projects which deviate from the delivery schedule and for which alternative payment may be made depending on availability of funds—the advantage being more purposeful utilization

tion of funds, more favorable conditions and the elimination of added interest payments. In addition, as of 1984, it has been possible to add reserves to the balances of Title 46 accounts (budget item 1/40108).

Provision of Cover for Supplemental Requirements

Requirements which are not contained in the procurement plan may arise during the course of a fiscal year, e.g. as a result of fluctuating exchange rates (in U.S. dollars, Swiss francs, etc); changes in the value added tax; exceptional price increases (such as oil prices); the use of Austrian army personnel in case of disasters or the dispatch of additional army units to foreign countries. If such additional requirements cannot be avoided and cannot be offset by equivalent savings (e.g. due to more favorable exchange rates or the cancellation of large-scale orders), they must be submitted to the finance ministry with the proper justification and the request for inclusion in a supplemental appropriations bill. Once such a bill has been passed by the lower house of parliament (the procedure being the same as in the case of the budget as a whole), the finance division is instructed to enter the additional amounts (and the savings, if any) under the proper budget headings.

The higher (or in the case of savings, lower) amounts are then available for payments due during that particular fiscal year. However, the properly adjusted invoice must be submitted to the finance division by 30 December so that payment can be charged to that year's budget. But since a large amount of crosschecking needs to be done by a small staff, it is urgently recommended that use be made of this deadline only when absolutely necessary. Even though the preceding year's payments may still be charged to that year's budget in January of the following year, the finance division has a particularly heavy work load during this period. Payments which cannot be made will be charged to the following year's budget.

Settlement and Rendering of Accounts

This item relates to the continuing recording of all financial details, i.e. that the requesting departments are required to document their total income and outlay in detailed financial statements analogous to the structure of the federal budget proposal at the end of each fiscal year. Documentation for all income and outlay is provided by the general accounting office in the form of a closing statement of government accounts. The lower house exercises final control over the budget by approving this statement.

Federal control over the budget and accounts goes through three stages:

- administrative control: monitoring of subordinate agencies by qualified personnel from the finance division or through the establishment of a special organization (e.g. the defense ministry control office or the inspectors' group of the general staff;
- control of accounts and fiscal policy: monitoring by the general accounting office, which is an independent agency. All expenditures are checked not only as to accuracy but also as to actual need and rentability;
- political or parliamentary control: submission of the statement of government accounts (which lists actual government income and outlay during a given fiscal year) to the legislature which must approve this statement by law.

Current Problems

The necessity of maintaining the national army of the Second Republic is unchallenged among all segments of the population. But since Austria has a draft and rather short terms of service (at least from the point of view of the military), the armed forces turn out to be manpower-intensive and therefore high in cost.

The problems regarding equipment are based on the fact that the armed forces had to rely on equipment left behind by the treaty signatory powers during their buildup phase and that the situation has only gradually improved as a result of additional purchases of equipment from mainly domestic producers. Presently available equipment, on the other hand, needs to be replaced. In addition, there is a fairly significant shortage of equipment, if the levels recommended under the national defense plan are to be attained. These needs represent the source of some of the current problems, e.g. the high level of personnel costs, high operating costs, insufficient funds for training equipment and delays in making investments.

The funds which are de facto expenses on behalf of armed forces personnel are not only budgeted as personnel cost items under Title 0. In fact, the budget items under Title 7 for costs (legal obligations) are virtually synonymous with the personnel costs for draftees and, in addition, for active soldiers (e.g. payments under the family compensation act). Personnel costs are even included under Title 8 (discretionary expenditures). This includes budget entries for expense allowances, foreign allowances, official travel and the like.

A comparison between these combined personnel costs and the remaining discretionary expenditures shows that de facto personnel costs have been in excess of 50 percent of the total defense budget since 1970. The figure was 44.76 percent in 1966; 54.25 percent in 1976; 54.55 percent in 1981; 54.85 percent in 1982; 51.34 percent in 1983; 54.05 percent in the 1984 budget proposal and 52.43 percent in the 1985 budget proposal.

A reduction in personnel costs is certainly not anticipated in view of the fact that the requirements of the area defense concept make an increase in personnel urgently necessary. The long-term serviceman, created as a result of changes in the military service law, does not really resolve the problem, since his compensation still represents de facto personnel costs although these are charged to expenses and legal obligations.

The remaining budgetary funds (between 45 and 46 percent of the total defense budget) are available for operating expenses and the purchase of replacements and new equipment. The longer replacement of equipment is delayed, the more time and money it takes to maintain it. Retiring obsolete equipment without replacing it, creates unacceptable gaps in the equipment inventory. The procurement of the next generation of equipment generally results in greater cost due to the more advanced technology involved. An interim solution to this problem is to modify existing equipment continually in order to extend its service life and thus postpone having to replace it.

The fact that some 45,000 to 50,000 draftees and between 60,000 and 75,000 reservists on training exercises pass through the armed forces establishment each year continues to have a major impact on the ongoing costs of the operation. These operating expenses are also responsible for the shortage of funds for the replacement of equipment. In 1984, for example, 617 million schillings were spent on food and housing; 150 million schillings for no longer useable clothing and equipment; 670 million schillings for heating and motor fuels and other sources of energy and some 500 million schillings for training-related munitions, etc.

A high level of training for draftees is absolutely necessary in terms of their anticipated operational use in the future. Since training equipment is only rarely available, actual operational equipment must frequently be used for training purposes. The use of large items of equipment for training purposes in particular results in high operating costs and creates the need for early replacement. The procurement of equipment reserves and of simulators for training purposes is rather quickly amortized and thus has an immediate effect in reducing operating costs. Procurement of such equipment should therefore be requested on a priority basis.

The personnel buildup in the armed forces according to plan calls for corresponding increases in equipment. Since the producers can only supply limited quantities of equipment and sufficient funds are not always available and since it is imperative to achieve coordination among various categories of equipment as well as coordination with regard to the establishment of new units, all these needs can only be met within the framework of an investment program extending over several years.

Taking the abovementioned points into account, the annual procurement parameters are listed in the 10-year investment program. Depending on the allocation of funds (and in line with operational costs deemed imperative), procurements outlined in the annual projections may be processed either in their entirety or in part. Insufficient funds will force postponements in the investment program. Since technological advances also have a considerable impact on this program, an annual review will be undertaken which also takes this into account. Only by fulfilling the investment program according to plan will the armed forces be in a position to perform their tasks successfully; but for this to happen, it is absolutely necessary to provide for sufficient investment funds.

Prospects

The military portion of the national defense plan unanimously adopted by the National Defense Council views the area defense concept as a realistic option for a small country to ward off an attack or to offer successful resistance to a possible aggressor. Without going into this concept in any detail, we might mention the various key zones on which the concept is based and the manpower and materiel needs which are a part of it. Enlargement of our armed forces, which is urgently needed in order to meet our commitments, will double present personnel expenditures and call for an even greater increase in materiel needs. In the absence of these increases, the success of the area defense concept is doubtful.

But since all democratic-minded people are agreed on the determination of our country to defend itself, there is a need for the three resources which Montecuccoli in days goneby urgently requested his emperor to make available—money, money and more money.

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CSO: 3620/330

MILITARY

DENMARK

DEFENSE MINISTER STANDS FIRM ON COMPROMISE AGREEMENT

Service Period Extension Defended

Copenhagen BERLINGSKE TIDENDE in Danish 24 Apr 85 p 7

[Article by Thorkild Dahl]

[Text] Knud Damgaard, defense spokesman for the Social Democratic Party, has expressed dissatisfaction with the decision to extend the service period for enlisted men prior to the completion of the appointed committee's work in this regard. Minister of Defense Hans Engell says the extension is part of the Compromise Agreement.

"Beginning April next year, enlisted men in the Combat and Engineering Corps will have to serve 12 months, compared to the present 9 months. The service period for enlisted officers will also be extended by 3 months, to 24 months within the same two corps," according to an announcement by Engell (Conservative Party). Knud Damgaard, defense policy spokesman for the Social Democratic Party, criticized the defense minister for already having made the decision to extend the service period and for making the "Announcement on behalf of the Defense Department." "A committee was appointed to discuss a differentiated service period as part of the Compromise Agreement. Personnel organizations, among others, are represented on this committee and they must be given the opportunity to express themselves," said Damgaard and added that there might be a reduced service period for some, while others would get an extension.

Damgaard wants to call a meeting of the Compromise Agreement parties' specially appointed committee--the 11-Man Committee--to discuss the defense minister's extension of the service period, but Engell said the 11-Man Committee was informed about the extension at a meeting last March, and that the spokesmen for the enlisted men were told about it last November.

Minister of Defense Hans Engell added that the extended service period for enlisted men in the Combat and Engineering Corps is part of the Defense Compromise Agreement between the government parties and the Social Democratic Party. Enlisted officers are preferably selected from among volunteers and the 24-month extended service period would only apply to enlisted men called in after 1 April this year.

Fund Reduction Proposal Rejected

Copenhagen BERLINGSKE TIDENDE in Danish 25 Apr 85 p 7

[Article by Thorkild Dahl]

[Text] The Radical Liberal Party wants to reduce defense spending by 500 million kroner prior to the negotiations with the government regarding next year's budget. The Social Democratic Party as well as the government want to adhere to the Compromise Agreement and its spending limits.

The Radical Liberal Party's third successive attempt in 3 years to push for spending cuts in the Defense Compromise Agreement between the Social Democratic Party and the government parties has failed once more.

The Radical Liberal Party's finance and defense policy spokesman, Jens Bilgrav-Nielsen, is of the opinion that our present defense training capacity can be cut by at least 500 million kroner.

"There is excess capacity and we will fight to get the Social Democratic Party to agree to the cuts so that they can be incorporated in next year's budget already," said Bilgrav-Nielsen.

Knud Damgaard, defense policy spokesman for the Social Democratic Party, rejected the Radical Liberal Party's proposal and said that the Social Democratic Party would adhere to the Defense Compromise Agreement with the government parties.

"The compromise is valid up to and including 1987. It also includes spending limits and we intend to honor the agreement," Damgaard told BERLINGSKE TIDENDE.

The Social Democratic Party (S) spokesman added, however, that S concurs with the Radical Liberal Party that defense spending can be cut without reducing our military effectiveness.

"This cannot be done overnight, but we intend to submit proposals to this effect during our negotiations with the government in the course of the compromise period," Damgaard added and rejected Bilgrav-Nielsen's request for negotiations concerning this matter at the upcoming parliamentary Defense Committee meeting.

Minister of Defense Hans Engell (Conservative Party) also defended the Compromise Agreement and added that defense has had to shoulder large cuts and savings in the last few years.

"Several years of repeated dieting and starvation have taught us to make a virtue of necessity, and it is generally recognized by our allies too that we accomplish much with our limited funds," said Engell.

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CSO: 3613/139

MILITARY

FEDERAL REPUBLIC OF GERMANY

ROLE OF BUNDESWEHR RESEARCH CENTER FOR NBC PROTECTION

Bonn WEHRTECHNIK in German Apr 85 pp 44-50

[Article by Prof Roland Metzner, director, Bundeswehr Research Center for NBC Protection: "The Military Science Center of the Bundeswehr for NBC Protection"]

[Text] Protection against the effects of nuclear, biological and chemical weapons is very difficult. Nevertheless, the Bundeswehr is attempting not only to prevent the surprise effect of such weapons through appropriate training and protective measures but is trying to fashion its equipment in such a manner that defensive activities could be continued following an enemy's use of NBC weapons. Technical-scientific principles for the development of these protective and hardening measures for equipment are being worked on by the Military Science Research Center of the Bundeswehr for NBC protection at Munster (WWD). The research center is subordinated to the Federal Office for Military Equipment and Procurement in Koblenz. It is introduced in the following contribution by its director, Prof Dr Roland Metzner. In addition to NBC protection problems, the institute also deals with Bundeswehr fire-prevention equipment and environmental problems.

The scientific and technical work at the Military Science Research Center has the following goals:

- i. to constantly improve protection of troops threatened by nuclear, biological and chemical weapons and agents;
- ii. to work out scientific principles for NBC protection through theoretical and experimental investigations;
- iii. to utilize international experiences and knowledge in NBC protection in developing military hardware and in conducting experimental investigations;

iv. to solve environmental problems insofar as radiological, biological and chemical questions arise, and

v. to continue the development of fire-prevention technology for the army, the navy and for the air force.

Toward this end, modern laboratories and experimental facilities are available in which the effects of NBC weapons can be simulated so that NBC protection systems for the Bundeswehr can be examined on this basis, can be perfected, and can be tested as to their reliability.

The research center is organized into three specialized groups: Department 3 provides information regarding the essential work directions of the groups. Approximately 360 staff members--including 40 scientists, 60 engineers and some 100 laboratory technicians and technical specialists--help in solving the questions and problems which are posed.

Scientific results of work of general interest are also published in specialized journals. Furthermore, technical results frequently provide an impetus for the civilian sector. A specialized library provides information regarding the status of science and technology in the area of NBC protection. Contacts with national and international institutions, which are working on identical or similar problems, supplement this information. Scientific and technical support of many research and development tasks undertaken by the Federal Ministry of Defense and by the BWB [Bundeswehr Procurement Office] in the area of NBC protection and carried out by universities, institutes and private enterprises, are among the tasks of the research center. In the final analysis, the development of NBC protective measures is governed by military requirements as formulated by operations staffs of the armed forces.

NBC Protection

The technical realization of NBC protection requires that four problem areas be worked on:

- i. recognition of the danger through the use of appropriate measuring and warning instruments;
- ii. actual protection of troops and equipment against the effects of NBC weapons;
- iii. decontamination (detoxification, decontamination, disinfection) in order to be able to survive under NBC conditions;
- iv. simulation of the effects of NBC weapons in the laboratory and in experimental facilities in order to be able to test the effectivity of protective measures at all.

The following depicts the method of work, based on several examples, the experimental facilities, as well as some of the problems and results of the technical-scientific treatment of NBC protective measures.

Organization of the Military Science Research Center

Personnel Council	Administration	Bundeswehr Research Center for NBC Protection Dir Prof Dr Metzner	Planning
1. General Services; Fire Protection Dir Hoff	2. Nuclear Protection Dir Dr Krueger	3. Biological Protection Dir Dr von Sprockhoff	4. Chemical Protection Dir Dr Magin
General Services Design Workshops Operations Motor pool Computer Center Automatic data processing Fire-Protection Technology (army, navy, air force) Extinguishing equipment Extinguishing agents Fire-warning fa- cilities Heat-resistant protective clothing Medical Service	Simulation of Nu- clear Weapon Ef- fects Nuclear radia- tion (neutron and gamma ra- diation) Electromagnetic impulse (EMP) Thermal radia- tion Overpressure waves Fallout Radiation-Measur- ing Technology/ Warning Systems Decontamination Nuclear Hardening Weapons System Protection (man, electronics, hardware)	Bacteriology Mycology Virology Rapid Identification Sampling, detec- tion, identifica- tion Decontamination Disinfection, de- toxification, disinfection Water Biology Toxicology, Toxinol- ogy Radiation Biology Pathology	Chemical Agents Threat Fundamentals Detection Methods Trace analysis (GC-MS) Chemical agent detection de- vices Protection Protective clothing Protective shel- ters Filter systems Decontamination Procedures, de- contaminants Decontamination devices Water purifica- tion Incinerator

Nuclear Protection

The Bundeswehr must be prepared to continue its combat mission even under nuclear conditions. Essential prerequisites are the technical solution of protection possibilities against the effects of nuclear weapons. The nuclear protection group postulates protection possibilities, examines them theoretically and experimentally and tests and evaluates their development and industrial realization.

For purposes of experimental examinations, the individual action components of nuclear weapons, such as the initial radiation, the electromagnetic impulse (EMP), the thermal radiation, the blast wave and radioactive fallout must be simulated. For purposes of simulating the effects of nuclear weapons, extensive experimental facilities are available at the research center. Results of the experimental investigations are augmented by theoretical models and their numerical evaluation is handled by computers.

Protection possibilities can be subdivided into measures for active nuclear protection, to be undertaken by the troops following enemy use of nuclear weapons, and in passive nuclear protection measures, which must already be realized during development of military hardware in order to render weapons systems impervious to the effects of nuclear weapons.

Active Nuclear Protection

For purposes of active nuclear protection, detection systems and procedures are being developed which make it possible for troops to recognize danger and to conduct themselves accordingly. These are:

- i. instruments for the identification of nuclear explosions;
- ii. instruments to determine radiation danger. Dosimeters for the individual soldier, for armored vehicles, helicopters and ships;
- iii. computer-supported NBC reporting systems for the rapid evaluation, reporting and plotting of all measurement and observation data following a nuclear and chemical attack to form a basis for evaluating the situation;
- iv. development of procedures and equipment to simulate large-scale fallout radiation which is intended to help train soldiers in the use of radiation monitoring systems;
- v. fundamental investigations pertaining to decontamination of radioactive fallout, which are intended to result in improved decontamination media and procedures.

Passive Nuclear Protection

Passive nuclear protection encompasses the immediate protection of soldiers and the hardening of equipment used by them against the effect of nuclear weapons. The following problems are worked on:

- i. extensive theoretical and experimental investigations pertaining to the improvement of radiation protection for the crews of armored vehicles;
- ii. studies pertaining to the endangering of the human eye by thermal radiation and investigations of protective procedures against glare and burn damage to the retina;
- iii. improvement of the effectivity of protective clothing against thermal radiation;
- iv. investigations pertaining to the sensitivity of military hardware with respect to the effective of nuclear weapons;
- v. hardening of weapons systems;
- vi. evaluation of the degree of protection attained and of the balance of the measures.

Hardening of Military Hardware

The hardening of military hardware has been a special priority topic for years. The objective is to harden military hardware to the extent that, when in use, it is not more sensitive to the effects of nuclear weapons than the person operating it. Hardening measures must make it possible for the weapons system to withstand all effects of nuclear weapons at a certain distance from the epicenter of the explosion and to remain operational in its essential functions (balanced nuclear protection).

Toward this end a threat analysis is necessary from which the technical hardening measures with respect to initial radiation, EMP, pressure wave and thermal radiation may be derived. In this regard the sensitivity of modern electronic equipment plays a particular role.

The sensitivity of military hardware is examined in nuclear weapons effect simulators in order to be able to evaluate the need for and effectivity of hardening measures.

As a cross section task of the nuclear protection group radiation protection problems for the entire area of the Bundeswehr are handled within the framework of environmental protection.

Biological Protection

For a long time now recognition of biological agents and the protection of soldiers against their effect have been priority tasks. Agents which could serve as starting material for potential biological weapons agents include certain highly infectious bacteria, fungi, viruses and certain toxins (poisonous bacterial, fungal and algae-based products of metabolism).

Rapid Recognition of Biological Agents

The fact that the topic of the rapid recognition of biological agents has been worked on for many years permits the recognition of the technical-scientific difficulties connected therewith. Just like a physician who is strongly interested in the cause of an illness the rapid recognition of a biological agent is the focal point of biological protection. Toward this end numerous laboratory methods are used. One of these is the widely known method of immunofluorescence. In recent years the Military Scientific Research Center has developed this method into a procedure which has proven itself and which is currently being tested for its usability in the military context.

The detection of viruses is rendered more difficult by their structure, which deviates from that of other infection-causing agents. The submicroscopic dimensions (less than 200 microns) and the inability to replicate independently require the expenditure of particularly intensive concentration and cultivation methods.

Virus detection is conducted in a number of ways. The most comprehensive physical method involves the use of electron microscopy. Here, because of the anticipated relatively small quantity of agents, concentration steps must be introduced (ultrafiltration, ultracentrifuging). Furthermore, in connection with the cultivation of viruses in cell cultures, serological tests come into play. Here, also, immunofluorescence currently stands in first place.

No less important than the problem of rapid recognition of biological agents is the question of their removal or neutralization so that they no longer present any danger.

Measures for Decontamination

The focus is on decontamination measures such as:

- i. disinfection and sterilization: inactivation and/or killing of disease-causing agents (bacteria, fungi, viruses) and prevention of the transmission of infectious diseases;
- ii. disinfestation: measures for the destruction of harmful arthropods as vectors of disease;
- iii. detoxification: removal or destruction of toxins.

The selection of the means for decontamination is determined by the substances tested and approved by the Federal Ministry of Health. Phenol and its derivatives are suited only for killing vegetative bacteria and fungi. Only formaldehyde is surely effective against bacteria spores; calcium hypochlorite in an aqueous solution is only of limited use. Chlorine and chlorine-separating organic and inorganic substances, as well as aldehyde (formaldehyde) and their derivatives can be considered for inactivating viruses.

High-capacity facilities have been developed for the obtaining of drinking water from surface water (water preparation). This equipment eliminates microorganisms, viruses and certain microbial toxins through the use of high chlorination, adsorption, precipitation and filtration.

Some questions about the effectivity of protective measures against NBC weapons can only be clarified by way of animal experiments. Such experiments are undertaken in compliance with the requirements of the animal protection law. A test procedure must document the extent to which the question cannot be answered by conducting experiments involving material not capable of feeling pain and whether literature research has shown that such experiments have thus far not been carried out. Only then is the unavoidability of conducting animal experiments proven as required by law.

In addition to the production of antibodies, which are needed for the detection of bacteria and viruses, animal experiments are necessary in order to evaluate the risk emanating from chemical agents which may still remain active following decontamination. Such tests help determine any possible danger for soldiers. Furthermore, attempts are made to estimate possible radiation damage by testing hematological and clinical-chemical parameters.

In order to clarify the operating mechanisms affected by NBC materials, the entire spectrum of clinical and postclinical methods must be exhausted. Toward this purpose, the procedures of pathology, through which the functional fallout manifestations, biochemical cell changes, microbiological processes within the body, as well as morphological changes of organs may be clarified, are of particular importance. Useful data based on pathologically evaluated animal experiments are extensive since information regarding disease development and indications of importance for prophylaxis and therapeutic measures is provided.

Chemical Protection

The threat of highly toxic and rapidly acting chemical agents, working both through the respiratory tract as well as through the uninjured skin, requires effective chemical protection of the troops and must be able to prevent losses not only as a result of the direct effect of chemical agents but also assure the maintenance of combat ability to the maximum extent possible. Individual and collective protection, detection of chemical agents and decontamination of individuals as well as equipment and installations are the basis for effective chemical protection.

Toward this end, the laboratories of the research center are working on a broad spectrum of topics extending from fundamental scientific investigations through the development of equipment and procedures all the way to the assurance of the quality of materials introduced to the troops.

Individual and Collective Protection

For purposes of individual and collective protection against chemical agents protective clothing, protective masks, filters, protective ventilation

facilities and collective protection devices in vehicles and stationary facilities are used. The constant improvement of these protective installations and the continuing development of protection possibilities is a permanent task of the research center.

Extensive laboratory investigations serve to clarify the operating mechanisms and theoretical connections with respect to such items as adsorption phenomena involving filters or transport processes involving the diffusion of chemical agents through protective materials. Since the effectivity of chemical protection can only be judged in the presence of concrete perceptions regarding anticipated conditions on the battlefield in case of a chemical attack, studies of scenarios and threat models are undertaken and involve the use of propagation calculations.

Chemical Agent Warning

Warning pertaining to the use of chemical agents is the prerequisite for alarming the troops and for introducing protective measures on the battlefield. The goal of research and developmental work conducted in this regard is the availability of warning and detection instruments for:

- i. the detection of chemical agents in the atmosphere, on the ground, and on materiel and personnel;
- ii. the determination of the extent of contaminated areas in order to be able to determine the scope of necessary protective and countermeasures;
- iii. the identification of specific chemical agents;
- iv. the evaluation of the risk involved in postcontamination residual agents.

Toward this end detection procedures intended to prove the presence of chemical agents, based on chemical, biochemical, physical and physical-chemical principles, are examined and evaluated. The data obtained are then used in the development of both instruments for the remote detection of gas and aerosol agents (for example, laser-lidar systems), as well as automated detectors for local detection of chemical agents.

The focal points of development activity are currently the miniaturization and simplification of automatic warning devices in order to facilitate the widest possible distribution of these instruments in troop units.

For large-scale monitoring of contaminated areas, a mobile monitoring system--the FUCHS monitoring tank--is used. A special probe was developed for it which can, in connection with an appropriate mass spectrometer with automated data evaluation, facilitate a rapid and large-scale chemical reconnaissance even while on the move and which includes a capability to identify the monitored chemical agent.

In addition to procedures for the detection of chemical agents under field conditions, laboratory methods such as gas, thin-film and fluid chromatography

or spectrometric methods such as infrared, nuclear resonance and mass spectrometry are being worked out for qualitative and quantitative analysis of chemical agents which will be available in simplified form at a nuclear and chemical examination facility operated by the Bundeswehr.

Decontamination

For purposes of decontamination (detoxification) of individual soldiers, their combat and protective gear, their personal gear, as well as military hardware (tanks, aircraft, ships) effective decontaminants, decontamination procedures and decontamination equipment are tested. Scientific activities are devoted to the investigation of chemical and physical processes involved in decontamination. The goal is to find a decontamination method which will be protective of materiel.

Water Purification

In order to supply the troops with drinking water under emergency conditions, devices and procedures for the purification of contaminated surface water are examined. These involve both conventional water treatment facilities using oxidizing and other suitable agents and subsequent filtration, as well as the use of the most modern physical procedures based on reverse osmosis and electrodialysis. These devices are not only intended for the eventuality of NBC warfare but make their capacities available in peacetime in disaster cases, for example, in the case of earthquakes. The capacity of equipment which has already been introduced or is under development ranges from a few field bottle fillings through installations with a capacity of 10 cubic meters of field drinking water per hour.

Incinerator for Harmful Substances

Since 1981 the research center has been operating an incinerator for harmful special waste materials. In this facility, for example, samples of chemical agents from World War I and World War II are destroyed in an environmentally friendly manner. The facility is unique in Europe. The daily throughput amounts to about 200 kg of chemical agents. In the facility, the chemical agents are vaporized and firmly changed to such combustion products as water, carbon dioxide, sulfur dioxide, hydrogen chloride and arsenic oxide, at temperatures of 1,000° to 1,200° C. Two wash towers and aerosol separators are used to remove these environment-stressing materials from the smokestack gases so that the emissions from the incinerator remain far beneath permitted limits.

Fire-Protection Equipment in the Bundeswehr

The use of energy-rich fuels within the Bundeswehr creates the constant danger of fire and the concomitant endangering of life and limb, as well as the loss of valuable hardware. Military fire protection has to take this danger potential into account. At the research center many investigations and further development work involving fire-extinguishing agents, automatic fire-warning and extinguishing facilities (for example, on-board tanks and ships), large and small fire extinguishers and heat-resistant protective garments are carried

out. For this purpose, physical and chemical laboratories, technical facilities and a fire-measuring and testing field are available.

The latest generation of fire-fighting vehicles in the Bundeswehr were prepared here prior to their introduction. With their cross country chassis, their extraordinarily increased extinguishing material capacity and their high rate of extinguishing material application these vehicles have a remarkable extinguishing capacity.

The extinguishing agent class of film-creating foams was extensively examined here. High extinguishing capacity with comparably low application rates are the outstanding characteristics of this extinguishing agent.

The substitution of asbestos-containing materials for heat-resistant protective clothing was examined and an aluminum-coated viscose-aramid fabric was recommended as a replacement material.

A detailed report about fire-protection equipment will appear in a subsequent issue of WEHRTECHNIK.

5911

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MILITARY

NORWAY

NATO NORTHERN COMMANDER CITES GAPS IN COUNTRY'S DEFENSE

Oslo AFTENPOSTEN in Norwegian 19 Apr 85 p 5

[Article by Thorleif Andreassen]

[Text] The chief of NATO's Northern Command, Gen Sir Richard Lawson, believes that the future defense position of Norway is not entirely bright. He stated that the gaps in Norway's defense system must be closed. "When I look at the future, it does not appear rosy. Although we may get by with what we have today, our future situation is not promising," General Lawson said in the English language edition of Norwegian Defense. This edition gives a comprehensive picture of Norway's overall defense situation at the beginning of the year.

In an article in this same publication last year, Sir Richard Lawson compared Norway's contribution and significance to NATO with our country's need for land and air support from the alliance for a successful battle to defend the Sea of Norway and for a nuclear balance that he characterized as totally decisive as a deterrent against attack.

Lawson pointed out the importance of realistic training and exercises with reinforcements from other countries--both to prepare ourselves for war and to demonstrate that we are ready and willing to defend ourselves against the Soviet Union and the Warsaw Pact countries.

"We made some progress in 1984, but we still live in uncertain times. The massive concentration of Soviet and Warsaw Pact forces still represents a serious threat to our security and freedom," he wrote in his recent article.

The NATO general stressed, however, that any potential attacker would have to think twice before coming our way. "In any event, he cannot think of Norway as an easy target that could be taken in the initial phase of battle."

But, the chief of NATO's northern command continued, we cannot afford to stick our heads in the sand.

"We cannot forget our equipment shortages or the weaknesses in our planned and estimated ability to survive. These problems will not disappear. They will only get worse. We must do something about them and this must be done now and done well."

Expensive

Sir Richard Lawson left no doubt that a credible military defense at the end of the 20th century would be a costly and complicated affair.

"This means that we must maintain and improve many elements of our defense. But we gain no advantage from improving one of these elements at the cost of another. It is useless to obtain better weapons if we have no ammunition or if we fail to train our soldiers, sailors, and airmen to use them effectively. Then, our soldiers and weapons must be protected and new reinforcements brought in continually.

Reinforcements

The scope of the allied contribution in the area of reinforcements is significant to Norway. But what about our own preparations to receive the reinforcements?

On this topic, the NATO general said, " Even though we are counting on having time to receive reinforcements from other countries, the Norwegian military must always be capable of holding its own as part of a trained military operation."

He has confidence that the preparations are under control so that, in the years to come, the Norwegian military will be an effective unit and that any defects that may arise will be detected and corrected in a balanced manner.

"In this respect, NATO will continue to coordinate the mutually dependent commands that, in some way or another, contribute to the defense and freedom of Norway," the general stressed.

9336

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MILITARY

SWEDEN

AGRELL'S PHD THESIS ASSERTS CHANGE IN MILITARY DOCTRINE

Stockholm DAGENS NYHETER in Swedish 11 May 85 p 2

[Commentary by Olof Santesson: "Unity on Threat Change in Agrell's Thesis"]

[Text] Lund. We hardly consider the Swedish military as being changeable.

That fact is, however, established by Wilhelm Agrell in a doctorate dissertation which was discussed last Friday in the ancient but fully restored university building Palaestra in Lund.

Henceforth nobody should be satisfied with the cliché depicting the military leadership always arguing in the same way for the same goals--the most possible money for defense.

Without meeting any opposition in his dissertation, Agrell maintained that the Swedish military leadership at the beginning of the 1960's radically changed its doctrine, changing its conception of how Sweden could expect to utilize its defense resources in the event of war--and against what.

The change is related to the Swedish atomic bomb question, as indicated by the title of Agrell's dissertation: "Freedom From Alliances and Atomic Bombs. Continuity and Change in Swedish Defense Doctrine 1945-1982."

It is well known that Sweden kept the question of its own nuclear weapons open into the 1960's--to later give up its freedom of action. If by nothing else the issue was brought to light by Christer Larsson's articles in NY TEKNIK.

Agrell's point is that military reasoning changed character at the time when a number of military leaders, beginning with the air force, decided that it was no longer to their advantage to pursue the question of procurement of atomic bombs.

From the beginning Swedish military nuclear weapon thinking came in as an inheritance from the war years.

If we go farther back in time we find that Sweden applied a type of deterrent and marginal effect thinking; for example armored boats were intended to be sufficiently strong to repel what an attacker could be expected to throw against us.

For a long time Poland was believed to be able to hold the Soviets in check. Then came Hitler's rearmed Germany as a further balance factor.

But Swedish reasoning was discarded when Germany and the Soviet Union made the pact in 1939.

Either nation could then turn significantly greater forces against us in the event of war.

Now it became a question of complete defense of existence on Sweden's part.

Because of what happened in other places we would defend ourselves to the last man. Every report that resistance would be halted was false.

It continued in that way also after the world became aware of the existence of nuclear weapons.

How wise that sounds today is judged here as in other places as a kind of extra effective artillery or bomber aircraft. Our boys shall not be poorer equipped than the others.

According to Agrell, rethinking within the defense leadership began when they began to realize that procurement of nuclear weapons could lead to conventional weapons being undernourished. He dates that occasion earlier than anyone else, to the OB [Supreme Commander of the Swedish Armed Forces] Plan 1962, despite the fact that it still persisted in the requirement for atomic bombs.

At the same time as the military leaders were rethinking, they also decided that Sweden could achieve a very good conventional defense against the limited resources that an attacker could be expected to deploy.

A really pessimistic doctrine which assumed both atomic bombs and (Western) help from abroad was replaced by an optimistic one in which we managed without both!

We were on the way back to the old doctrine of fright without making a big issue of it.

The new military signal was naturally much more in accord with Osten Unden's security policy position!

Considering that it was Agrell who defended and Kristian Gerner who attacked--two of our most contentious security policy debaters--we were looking forward to a definite dispute over Agrell's thesis.

But Gerner praised and approved most of the main points, and unfortunately held forth for so long into the lunch hour--and this in Skane--that no other speaker had the heart to make a contribution and thus further prevent the complaining stomachs from being filled.

Thus the only criticism came from Gerner--and showed among other things that he, different from the author, wanted to see a reversal in the nuclear weapon and doctrine questions as a result of the more negative signals from the politicians.

Both Gerner and Agrell appeared to believe that the material in NY TEKNIK only showed that the liquidation time was long.

But then how does one explain the great interest in the military for the nuclear power plant in Marviken, on which planning began in 1963--after OB-62? What induced the military leadership to devote resources the same year for the purchase of land for a development installation, and why all that stubborn interest for a civilian technology which could facilitate the production of our own weapons plutonium?

Wilhelm Agrell has shown in a seductive way how a significant change took place in Swedish military doctrine at the same time as the nuclear weapons argument became more verbose, and thereby watered down.

His experience, however, does not exclude that the military leadership at the beginning of the 1960's in practice held fast to a delaying position--waiting for the good times for atomic bombs which fortunately never came.

9287

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ECONOMIC

DENMARK

FAEROES' NEW LEADER DISCUSSES SOLUTIONS TO DEBT CRISIS

Copenhagen BERLINGSKE AFTEN in Danish 26 Apr - 2 May 85 p 14

[Article by Hans J. Poulsen]

[Text] The Faeroese do not want to play down the ominous report on the economy of the Faeroes, prepared by a committee of officials from the prime minister's office in Denmark. However, both the present and the former leader of the local government with whom WEEKENDAVISEN [Weekend edition of BERLINGSKE TIDENDE] has discussed the deep crisis of indebtedness of the Faeroes, find it appropriate to make a few profound comments on the situation from the local quarters.

The days are long past when the Faeroese believed that they would be able to make ends meet by concentrating on fishing cod and haddock. That is why they have of late years been modernizing their means of production and specializing their fleet by making enormous investments which would have been excellent and warranted if they had paid. The statistics, however, show that this is NOT the case.

As reported in last week's WEEKENDAVISEN (page 3), the net foreign debt of the Faeroes has increased to 62 percent of the gross national product. If one is to believe the report of the advisory committee of the prime minister's office on the Faeroes, the home-ruled group of islands in the North Atlantic is indeed about to collapse like some kind of Atlantis--not as a result of any catastrophe of nature as was the case with the mythical island described by Plato but on account of economic disaster.

Living in Luxury with Video

How do the Faeroese themselves evaluate the situation? Have they ruined their possibilities of progress by living in luxury with too many automobiles and too many video sets--both are major commodities in the Faeroes--while overlooking the fact that their very means of subsistence--the fish--is not present and available to the same extent as it used to be? Do they agree to the findings of experts on the general situation of the Faeroes right now?

Atli Dam, 53, Social Democrat and leader of the home rule government since 10 January, heads a coalition comprising four parties with the support of 17 of the 32 seats of the home rule government. On the ominous report from the Danish committee, he tells WEEKENDAVISEN: "It is a most serious report which points out serious problems. I shall not attempt to play down the situation outlined in connection with the Faeroes, but they cannot compare us with Latin American states. I do not agree with the conclusion of the committee that there is no real solution for the Faeroes. That we have got into such a difficult situation that there are only two things left to be done: either to postpone solving the problems and thus enlarging them further or to try to solve the problems by means of a traditional solution which will create unemployment.

Injudicious Investments in Ships

It is true that our foreign debt problem is a heavy burden. However, we are working on a three-year plan designed to correct the disproportion between our foreign debt and the gross national product. And I take a more optimistic view of things than the committee of the prime minister's office. I believe that we shall be able to work our way out of the problems. The foreign debt with which we are encumbered is due to major investments in very large production units. We have with borrowed money purchased a number of specialized ships to develop a merchant fleet, and this is probably where we have been imprudent. As is well known, the market has not been too good, and that is why the rate of return has been poor. But we do not for that reason feel impelled to sell some of our ships. We want to try to keep them in operation until they start paying off.

No Daily Benefits for Unemployed

Atli Dam stresses that the Faeroes cannot afford a policy that results in unemployment: "For unlike Denmark, we do not have any economic safety net in the form of unemployment insurance to help those who might lose their jobs."

The Faeroese leader stresses the desire for the Faeroese to extricate themselves from their problems. That requires a reorganization of vital branches of the economy and restraints in the private consumption, which has been far too large of recent years. The fishing industry--which, in the Faeroes, is an industry receiving amazing subsidies--will, according to a comprehensive plan which last week was introduced in the local parliament at the historic Tinganæs in Torshavn, have its subsidies reduced by 27 percent. In addition, the said plan proposes legislation to intervene on a continual basis against the fishing of endangered species of fish, the moms [value added tax], which, in the Faeroes, is called the oms [sales tax], will be increased together with a number of specific purchase taxes, and a tax on capital gains in connection with the sale of means of operation, including ships, will be introduced.

In addition, there are plans which have not yet been adopted for major investments in the breeding of fish, for example trout and shrimp, in the waters between the many islands. Last year, this area yielded profits of 75-100

million kroner. These profits are expected to increase to 1 billion kroner in the course of only 3 years.

According to Atli Dam, there is no desire to ask the Danish state for any special emergency aid, and no such request will be advanced in connection with the negotiations in the fall on the conversion of reimbursements by the state to general grants.

Predecessor: Preposterous Claim

Paulli Elvén, Union Party (a moderate liberal, pro-Denmark party) member of the home rule government and Atli Dam's predecessor as leader of the Faeroese home rule government, agrees with the authors of the report that the economy of the Faeroes needs to be tightened. "However, the statement that the Faeroes will go bankrupt in 2 weeks because we have invested in an ultra-modern merchant fleet is, in my opinion, preposterous. It became necessary because we have become ousted from many fishing grounds in the course of the last 7-8 years. As for the increase in our net foreign debt in 1981-82, it does not take too much analysis to see that the increase is roughly equivalent to the interest payments. And it is, of course, on that very net debt that the drastic statements of the committee are based.

The former leader of the home rule government, incidentally, advocates reducing public expenditures as well. He finds that far too much money has been spent on the infrastructure and substantiates his argument with the following example:

"We have dug a tunnel through a mountain to build a road to a settlement with only three households. That cost us upwards of 30 million kroner. That could only happen on the Faeroes."

7262

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ECONOMIC

DENMARK

PRIME MINISTER URGES CALM AFTER ADVERSE TRADE DEFICIT

Copenhagen BERLINGSKE TIDENDE in Danish 8 May 85 p 1

[Article by Svend Bie: "Schluter: No Reason for Hysterics"]

[Text] No tightening of the fiscal policy, promises Poul Schluter. The trade deficit of 2 billion kroner in March was not caused by private consumption, says the government. "Poul Schluter is too optimistic," says Mogens Camre (Social Democratic Party).

"There is no reason for hysterics."

These were the words of Prime Minister Poul Schluter after the reasons for the trade deficit of 2 billion kroner in March were explained in detail to the government.

The prime minister emphasizes that the additional import is primarily due to a very heavy import of coal and oil and only to a minor degree is due to import of consumer goods.

"There has been no alarming increase in the consumption. It is still the government's estimate that the balance of payments deficit will not go beyond 15 billion kroner this year. It is out of the question for the government to present any bills involving higher direct and indirect taxes or other measures to tighten the financial policy prior to the summer recess."

Nor does the prime minister expect that there will be a need later on to tighten the financial policy, although he says "that the government will, of course, reserve the right to reevaluate the situation should the economic development become different than expected."

Poul Schluter admits that the government has bigger problems reducing the balance of payments deficit than controlling the domestic debt of the state. "The reason is that we are doing what we can to protect employment. However, the government still expects the balance of payments to be in equilibrium in 1988," says Poul Schluter.

The decision by the government not to take any steps against the background of the trade figures for the month of March encountered surprise within the Social Democratic Party.

Mogens Camre, financial policy spokesman: "Poul Schluter is a very courageous man. I would even say that he is too courageous, for the figures do, indeed, show that the economic policy of the government is about to collapse. The government has carried through a very strict incomes policy for two-thirds of the population but has, at the same time, allowed the most prosperous one third of the population to expend its consumption.

7262

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5 June 1985

ECONOMIC

DENMARK

ECONOMISTS VIEW CONSUMPTION, TRADE BALANCE PROBLEMS

Copenhagen BERLINGSKE TIDENDE in Danish 7 Mar 85 Sect III p 9

[Text] A number of economists comment on the balance of payments deficit, which can only be reduced by means of a lower dollar rate and a lower rate of consumption.

A number of economists predict that the balance of payments deficit this year will become larger than last year--contrary to the expectations of the government. That may lead to measures of intervention already before the summer recess in order to curb the consumption, RITZAUS BUREAU writes.

The private consumption is not declining as expected, and the export is more sluggish than in 1984.

There is every reason to believe that the deficit for the first quarter of this year will be very large--several estimates range between 7 and 8 billion kroner. Even if the deficit probably is 1 billion kroner "too large" on account of the extra import prior to the conflict, a deficit for the whole year might easily exceed the 17 billion kroner for last year.

Anne E. Jensen, chief economist of Privatbanken [the Private Bank] estimates the deficit during the first quarter at 7 billion kroner and for the entire year at 18 billion kroner. In January, the bank expected a deficit of 14 billion kroner, but on the basis of a drop in the dollar rate of exchange and a tightening of the fiscal policy in the spring. So far, neither has occurred.

Poul Erik Hansen, an economist with Sparekassen SDS [the SDS Savings Bank], estimates on the basis of the business barometer of his bank that the deficit in the first quarter will be between 7 and 8 billion kroner, which amount includes approximately 1 billion kroner worth of additional imports. According to a rule-of-thumb, the deficit of the first quarter is multiplied by three to get the annual deficit.

However, he predicts a clear improvement in April with the trade balance in equilibrium or with a deficit of 500 billion kroner.

The wrong thing in the development is a too small increase in the exports, says Poul Erik Hansen. Without a sharp increase in exports, it will become difficult to avoid a tightening of the fiscal policy to curb the consumption, which is expected to increase, for the reason, among others, that more people will become employed, but especially because of an increase in the consumption of the self-employed. He expects the private consumption to increase by a couple of percent this year.

Anne E. Jensen says that it is surprising that the private consumption has increased despite the decline in real income. There has been too much focus on retail sales, which only account for approximately 50 percent of the private consumption, other heavy items being, among other things, energy and traveling. On the basis of the existing statistics, however, it is not possible to see by whom the large consumption has been caused, says Anne E. Jensen.

Minister of Economic Affairs Anders Andersen (Liberal Party) says that it is too early to discuss the possibility of a tightening of the fiscal policy to curb the consumption, but he stresses that a change for the better will have to take place very soon to avoid some kind of intervention. The reversal will have to take place by the end of May, says Anders Andersen.

Erik Hoffmeyer, governor of the Central Bank, on several occasions in the past year, has warned against ignoring the balance of payments deficit. At the annual meeting of the Mortgage-Credit Board recently he criticized the government in sharp terms for not having taken any fiscal policy measures of intervention in order already this year to reduce the deficit.

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CSO: 3613/141

ECONOMIC

DENMARK

ECONOMY MINISTER COMPLAINS OF EXCESSIVE CONSUMPTION

Copenhagen BERLINGSKE TIDENDE in Danish 30 Apr 85 p 1

[Article by Svend Bie]

[Text] After new trade figures for the month of March, Minister of Economic Affairs Anders Andersen advocates lower expenditures. A tax reform and the new collective labor agreements will curb the consumption, says the spokesman.

The consumption of the Danes is too large. This was established by Minister of Economic Affairs Anders Andersen after the preliminary trade figures for the month of March were made public yesterday.

The figures show that in March we purchased for 2 billion kroner more abroad than we sold. It is only a question of preliminary figures, and it is not possible to see how the trade deficit has occurred.

"The figures show, however, that we still have a too high consumption. And the figures show that there is a need to pursue a cautious expenditure policy. These are the hard facts," says Anders Andersen.

The minister of economic affairs says, moreover, that the unfavorable trade figures will have a detrimental effect on the interest rate.

"We have already had a drop in the interest rate, but in order for the interest rate to go all the way down, the balance of payments will have to look better. The better the trade figures get, the more the interest rate will drop."

Anders Andersen is not surprised that the March figures are unpleasant.

"But, for that reason, it would have been nice if they had been better. There is no reason to conceal that the magnitude of these figures is rather serious," says Anders Andersen.

The financial policy spokesman of the Liberal Party, Anders Fogh Rasmussen, says that the new collective labor agreements will probably curb the consumption in the course of the coming months.

"The solution is not new direct and indirect taxes. On the other hand, savings will have to be increased. For we experience the strange thing that the available real income drops at the same time as the consumption increases. This can only be due to the fact that the consumption is financed by way of loans," says Anders Fogh Rasmussen.

He says that the savings will be reinforced by a tax reform which will mean that the state will no longer put a premium on lending.

"Restrictions on lending are not a good idea. At best, such restrictions will have no effect. At worst, they will be directly harmful," says Anders Fogh Rasmussen.

Peter Wendt, chief economist, SDS, refers to the new trade figures as alarming, while the Danish Federation of Industries says that it is difficult to evaluate the actual result for March--seen in the light of the conflict. Chief of section Verner Puggaard, graduate in political science and economics, admits that the figures reflect that "we have got a poorer start than expected."

The Stock Exchange reacted in a negative manner. The Danish krone dropped in relation to the British pound but was strengthened in relation to the U.S. dollar.

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CSO: 3613/141

ECONOMIC

DENMARK

DENMARK LEADS WORLD IN RELATIVE FOREIGN DEBT SIZE

Copenhagen MÅNEDS BØRSEN in Danish Apr 85 pp 21, 22

[Article: "Denmark Owes the Sales Value of an Entire Year's Exports in Foreign Debt"]

[Text] The foreign debt of the Danish state amounts to 40 percent of the gross national product, and that is a world record.

Denmark is the most indebted country in the world. No country has a larger foreign debt per capita than we, and we, moreover, are in the hardly enviable position of leading the world in foreign debt seen in relation to the gross national product. The foreign debt and the national debt have a number of harmful effects on the economic life, and it therefore is important for the borrowing to stop. These were the conclusions of the Federation of Danish Industries in a recently issued report, "Denmark's Foreign Debt, National Debt, and Industries."

Our foreign debt is a general problem. Denmark was largely without any foreign debt in the late fifties, but the chronic balance of payments deficit throughout the sixties and seventies means that we are now the most heavily indebted country in the world. In 1960 our foreign debt was as low as 0.4 billion kroner, in 1973 it amounted to 19 billion kroner, and by the end of 1985 it had reached the large amount of 220 billion kroner. Our foreign debt now constitutes well over 40 percent of our gross national product, and that corresponds to the sales value of an entire year's export of goods and services.

Denmark, however, is not the only industrial country with a foreign debt. A large number of countries are in the same situation as we are, but the relative foreign debt of no other country is as large as that of Denmark. There are no official statistics showing the foreign debt sizes of the individual industrial countries, nor for that matter their foreign credit balances. However, a study of the number of years each individual country has experienced a surplus/deficit since 1960 will provide an indication of the extent of the problem. Together with Greece, we clearly occupy the first place, we have had a deficit for 24 years. As will appear from the graph, West Germany and Switzerland occupy the first and second places when it comes to avoiding balance of payments deficits.

Our foreign debt is an extremely heavy burden on the Danish economy. This year we thus have to pay approximately 25 billion kroner in interest on our foreign debt. That is equivalent to the total production value of 25 percent of our production. Or expressed in a different way: The interest paid on our foreign debt is equivalent to the annual performance within the production industries of well over 110,000 persons.

Our national debt is of a relatively recent date. In 1974/75, the credit balance of the Danish state with its citizens was approximately 3 billion kroner, but the credit balance has since then been changed into a debt of 420 billion kroner. Most other industrial countries have a budgetary deficit and consequently a considerable national debt. However, in this area as well we have been unusually good at incurring debts in a surprisingly short time. As will appear from the graph, of all of the industrial countries in the West we had the most rapidly growing national deficit in the years 1978-82. On the other hand, it is gratifying that the last few years have shown that we are also able to jam on the brakes. It is, indeed, high time for an end to be put to the deficit and thus further borrowing. The government budget is thus encumbered with interest payments on our national debt this year in the amount of 55 billion kroner, which amount is largely equivalent to the total value-added-tax revenue. And equally important: On account of the continued budgetary deficit, the interest costs increase by approximately 5 billion kroner annually. In the light of this, it is not surprising that extremely harsh measures are needed to recreate a balanced budget.

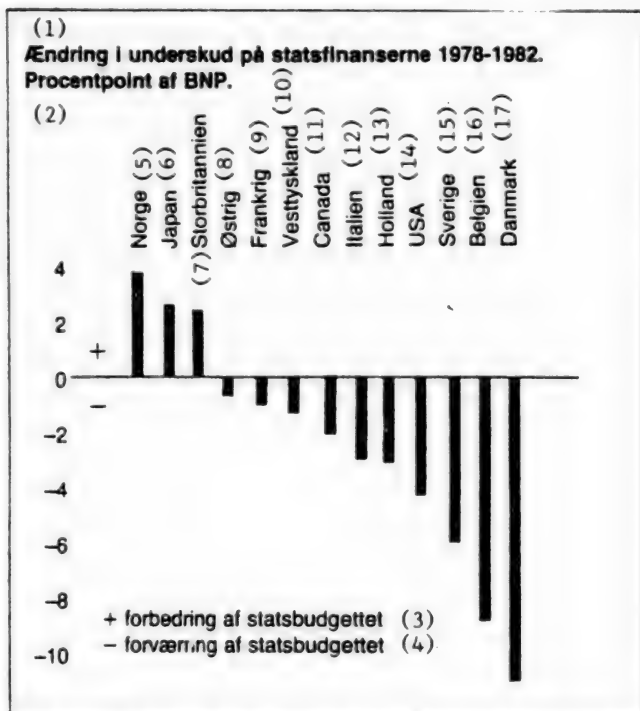
Both directly and indirectly, our large items of debt are the reason why we in this country have to accept living with a higher interest rate than other countries. And the high interest rate was the main reason why investments in this country fell greatly behind foreign investments up to 1982. During the years 1972 to 1982, our total investments as a percentage of the gross national product dropped from well over 25 percent to approximately 16 percent. The corresponding figures of the other industrial countries in the West are 23 percent and 20 percent, respectively. In the case of Denmark, the drop was thus 2-3 times as large as that of the other industrial countries. Since then, investments have increased relatively most in this country, primarily thanks to better service within the business community and the declining interest rate. With a view to the interest rate and thus investments, the balance of payments deficit and the budgetary deficit ought to be reduced continuously. And that is best done by way of a continued tight incomes policy and economies within the public sector, the Federation of Danish Industries concludes. And that piece of advice probably does not come as any major surprise.

BALANCE OF PAYMENTS DEFICITS OF OECD COUNTRIES

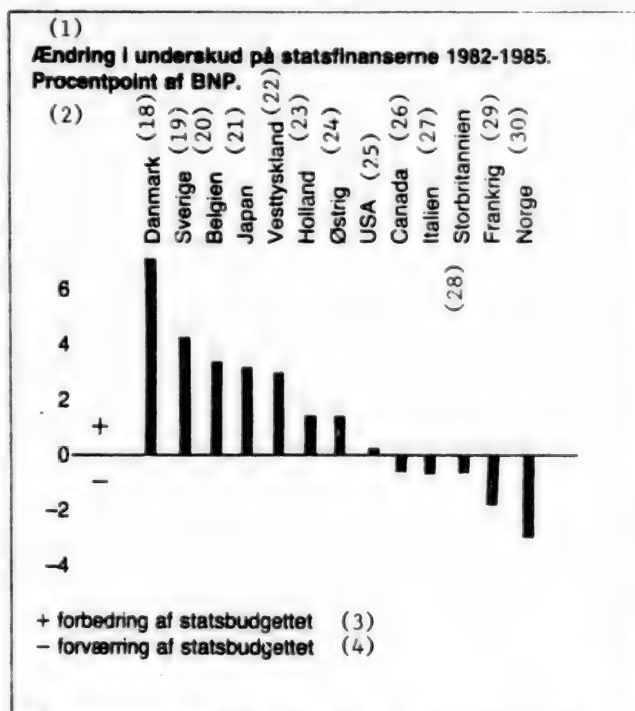
NUMBERS OF YEARS OF DEFICIT DURING THE PERIOD 1960-1984

West Germany	5	New Zealand	17
Switzerland	6	Sweden	17
The United States	8	Norway	18
The Netherlands	8	Iceland	19
Japan	8	Canada	20
Italy	9	Finland	22
The United Kingdom	10	Australia	23
France	12	Ireland	23
Belgium,	12	Turkey	23
Austria	13	Greece	24
Spain	14	DENMARK	24
Portugal	16		

The reason for our very large foreign debt is that since 1960 we have had a balance of payments deficit for 24 years. Only in 1963 did we succeed, by means of the package solution, in achieving a very modest surplus.



Seen in an international perspective, the Danish state incurred debts at an alarmingly fast rate up to 1982.



But since then we have demonstrated that we are also quite good at effecting economies.

Key:

1. Changes in budgetary deficits
2. Percentage points of GNP
3. + Improvement of national budget
4. - Deterioration of national budget
5. Norway
6. Japan
7. Great Britain
8. Austria
9. France
10. West Germany
11. Canada
12. Italy
13. The Netherlands
14. The United States
15. Sweden
16. Belgium
17. Denmark

18. Denmark
19. Sweden
20. Belgium
21. Japan
22. West Germany
23. The Netherlands
24. Austria
25. The United States
26. Canada
27. Italy
28. Great Britain
29. France
30. Norway

ECONOMIC

FEDERAL REPUBLIC OF GERMANY

GEORG LEBER SEES METALWORKERS' SETTLEMENT AS BREAKTHROUGH

Hamburg DIE ZEIT in German 5 Apr 85 pp 17, 18

[Interview with Georg Leber, mediator of metalworkers' strike; date and place not given: "More Than an Armistice"]

[Text] Different Assessments

As happens so often, it is a question of definition. And this is why the Metal Employers' Association and the Metalworkers' Union [IG Metall] present totally different assessments of the implementation of the 38.5-hour work week in the factories.

Employers' Association: According to a poll of 2.2 million employees, the reduction in working hours as of 1 April will be in conjunction with flexible working hours for 65 percent of the employees; 35 percent of the employees will continue with fixed working hours.

Metalworkers' Union: Of more than 2 million employees, about 95 percent have a 38.5-hour week. Ten percent of them work 18 minutes less per day; for about one-third, the cutback is lumped into an hour and a half per week, or 3 hours every two weeks; and in over 50 percent of the cases, the cutback is added to days off. Flexible working hours apply to only 5 percent.

[Question] Mr Leber, in summer of last year, you ended the longest labor battle in German postwar history through a compromise proposal. Are you satisfied with the implementation of your arbitration decision in the reality of the factories?

[Answer] It was clear to me from the very beginning that it would be difficult to find formulas in the factories which, in practice, would make possible differentiated working hours. First of all, the parties to the collective agreement had to abandon their own reservations, since the 1984 contract delegated some of the details to the enterprises--and at first, this appears to lower the influence of the parties to the collective agreement.

[Question] And is it not so?

[Answer] Frequently, the parties to collective bargaining cannot regulate everything down to the smallest detail; to a certain degree, this even holds true for wages and salaries. The discussion of working hours made it at least worth considering whether differentiations are needed. Particularly, when collective agreements such as in the metal industry affect such a wide area.

[Question] Is this a model for the future, that collective agreements only set the basic conditions, and that the details are settled in the factories proper?

[Answer] I hesitate to use the word "model" in this context. Collective agreements will continue to have to regulate the important questions for a specific sector of industry. Working hours are a part of collective agreements and must remain so. But it may be socially reasonable and organizationally sound for an enterprise to differentiate within the given framework.

[Question] So you are pleading for a loosening of the binding regulations in certain circumstances?

[Answer] In principle, yes. Let us assume that collective agreements are concluded for certain sizes of enterprises. That would surely eliminate the need for specific regulations. Besides, much is already being settled on the factory level. The collective agreement contains minimum conditions; factory regulations can add to it, or change something, but not downward.

[Question] Would you consider it more sensible if the collective bargaining parties were to agree to different basic conditions for large enterprises than for medium-size and small companies?

[Answer] Formerly, there were many more collective agreements for small spheres of operation, until the trend shifted to collective agreements covering large areas. Suddenly there were agreements for the entire building industry and for all of the metal industry. But the greater the area and the extent of validity, the more one must generalize and measure everything by the same yardstick.

[Question] And you consider that unfavorable?

[Answer] I believe the bargaining parties should give it some thought. With ever more broadly applied collective agreements, one is faced of necessity with the problems which almost always confront legislators. I only want to point out that such considerations could be helpful.

[Question] Do you want to introduce differentiation according to size of enterprise also for wages and salaries?

[Answer] I would have strong misgivings about that. Wages and salaries are not only of very great importance to the employees, they are also the most important basis of cost calculation for the companies competing with each other.

[Question] A differentiation of the basic conditions--would this not further complicate the consensus of the collective bargaining parties? Even now, there are big problems due to the differing forms of reduced working hours which the collective agreement of last summer permits.

[Answer] The arbitration decision and the collective agreements that were concluded on that basis were a surprise for many, since it meant breaking new ground. At first, relief was great on both sides, since the labor struggle had ended. Later, when it became a matter of implementation, there were problems here and there. But that is quite normal. I am not very thoroughly informed about the practical side, I can only rely on what I learn through good contacts with employers and labor unions.

[Question] So the information line did not break off?

[Answer] No, I do hear something from time to time. According to that, some entrepreneurs say they don't want the Leber-nonsense, they want uniform working hours, it is best for them. Others show real interest in differentiated solutions--and the larger the enterprise, the stronger the interest. But significant differences are not possible, anyway, because of the low margin between 37 and 40 hours.

[Question] Do you think this margin should be widened?

[Answer] I don't consider it a priority. First of all, we must gather experience with the margin now existing.

[Question] Do you believe that the real goal of the Metalworkers' Union, namely, to create more jobs through reducing working hours, will be attained?

[Answer] I certainly hope so. But no one can see that at present, the effect will only become evident in a few months. At any rate, during the arbitration negotiations when I had already brought up the

38.5-hour week, a surprising number of entrepreneurs told me that new hiring would be necessary if these reduced working hours came about; and that one could afford them, since production and productivity would be promoted rather than hampered.

[Question] Do you see reduced working hours basically as a means to fight unemployment?

[Answer] There is no single way to fight unemployment, but reduced working hours are certainly a part of it. But it is also a question of speed.

[Question] Was the step of one-and-a-half hours not big enough?

[Answer] At the time, one could not take a different step. It is no good theorizing, one must see what is feasible. And if it is true that the great many hours of overtime prevents new hirings, as is claimed so often, by the same token it cannot be wrong to say that one-and-a-half hours reduced working time creates new jobs.

[Question] What was more important to you in summer 1984, to reconcile the warring parties, or to provide jobs to as many unemployed as possible through your model?

[Answer] Naturally, at first it was the essential task of the arbiter to reestablish labor peace--but not under conditions which would cause continuous disputes. I had intended, at the end of the negotiation of the arbitration commission, to bring about a situation which would enable the bargaining parties to cooperate constructively and productively. I am glad that we succeeded in ending the strike; but I am at least just as glad that we were successful in closing the chasm which opens up between the negotiating parties in such a labor fight, in a way that relations free from poison could be resumed, afterwards.

[Question] Do you have the impression that the climate between the contracting parties improved after the end of the strike?

[Answer] They at least demonstrated their willingness to cooperate peacefully. Parties to collective agreements cannot love each other publicly.

[Question] Mr Leber, you were head of a trade union which traditionally nurtured social partnership much more than the Metalworkers Union. As former chairman of IG Bau [Construction Workers Union], do you consider it correct to follow a confrontational course between the contractual partners, which is much more pronounced in the metal industry than in the construction sector?

[Answer] This cannot be answered in such generalized form. First of all, the metal industry is a great deal larger than the construction sector. Secondly, the climate is different in the metal sector, due to the varying sizes of the factories, while the construction industry is predominantly medium-sized. Thirdly, work conditions are totally different. In the construction business, one works where someone wants to build, not where a factory happens to stand, where one goes in and out, perhaps for 40 years. And this affects the relationship between entrepreneurs and employers, and this naturally influences relations between the collective bargaining parties, also.

[Question] In your opinion, which way should the trade unions go in future, the road toward partnership, or one based on confrontation?

[Answer] In a certain sense, both are slogans. I don't know any collective bargaining parties where there isn't a fight at some time or other. Fights happen even in a good marriage. The important thing is that the collective agreement is considered a desirable object. By its nature, it is a peace treaty and must not just create an armistice so that the fighting parties can recuperate in order to collect strength for the next fight.

[Question] Was the compromise of last summer a good compromise, or would you develop your model quite differently, if you were again asked for advice?

[Answer] Practical experience will tell whether the advice was good or bad. If grades are necessary, someone else should hand them out. If I were again confronted with that same situation, knowing what I now know, I wouldn't come up with anything better. I don't know if it really was the ultimate wisdom. But it helped at the time.

[Question] Your arbitration decision broke through the taboo of the 40-hour week and brought new movement into wage policy. Does it give you satisfaction to know that you wrote a piece of social history in the FRG?

[Answer] That is a big word. I used to hear it in a different context, for instance, when we in the construction industry signed the first contract on capital-forming benefits for employees. Without doubt, that was a milestone in social history. The arbitration decision in the controversy over shorter working hours probably was more a step on a road, since shortening the work week is not anything new per se.

[Question] But the combination of more flexibility and shortened working hours is new.

[Answer] That is correct. In this regard it is significant in social history. Especially since it can be assumed that, in future, this combination will play an ever larger part in practical life.

[Question] So your effort was worth while?

[Answer] We have to wait and see first what really become of it. If more jobs were to be created because of it, then I would say it was worth while. If productivity and production are not reduced because of the shortened working hours, but rather are receiving new impulses, then I would say it was worth while--and in the interest of all. Because competitiveness in industry, social progress, and jobs--those are things worth fighting for.

Table 1. Standard Working Hours In the Metal Industry

up to 1956	48
as of 1.10.1956	45
as of 1.1. 1959	44
as of 1.1. 1962	42½
as of 1.1. 1964	41¼
as of 1.1. 1967	40 1)2)
as of 1.4. 1985	38½3)

Key: 1) in the iron and steel industry as of 1.7.1966
2) in the iron and steel industry, as of 1.10.1984, 38 hours and new regulation of free shifts
3) in the iron and steel industry, reduced working hours as of 1.1.1979, through free shifts

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CSO: 3620/346

ECONOMIC

GREECE

ECONOMY SUFFERS VARIOUS ILLS, ELECTORAL LARGESSE

Athens ENA in Greek 25 Apr 85 p 11

[Text] No party dares tell the people the tragic truth.

So, the elections are in sight. And the clamor for subsidies is growing ever louder. All the Greeks want something now but they are unwilling to give anything in return. All invoke their right to work but practically no one is willing to talk of the obligations work entails. The ultimate aim and secret wish is for everyone to be turned into a civil servant. Sure money, sure job and no fear that enterprises could shut down because they are showing or could show losses. Long live public funds.

Public funds which are not only nonexistent but which are already indebted for hundreds of billions and which are replenished at regular intervals by both domestic and foreign loans, by the Greek people's deposits and by high taxation, direct and indirect. The public deficit is huge and it snowballs with the addition of deficits from nearly all the public enterprises and organizations.

On the other hand, unemployment is peaking, inflation is rising, the market is in hibernation and an upturn of the economy is not in view. But demands continue, so do subsidies.

And the negative picture of our economy is completed by the high inflation rate, in comparison to other nations, the steady decline in the competitiveness of Greek products and the shutting down or troubled functioning of big industrial units. The latter have literally turned into Lernean hydras which are greedily sucking national resources, mainly for social reasons rather than reasons of production, that is, in order to prevent tens of thousands of workers from becoming unemployed.

Developments in the Greek economy cannot be characterized as gratifying as long as the messages that come from other competing nations force us to wake up and look reality in the eye. More precisely:

.The well known positive results of checking inflation in our country in the past three years were not sufficient to improve its ratio in relation to EEC averages. On the contrary, we see that while inflation in Greece in 1981 was 2.2 higher than in the EEC, today it is 3.2 higher, whereas the other nations obtained more impressive results in the fight against inflation during that

period.

.But neither are the messages concerning the evolution of the competitiveness of Greek products gratifying at all. The findings and conclusions of foreign experts regarding the competitiveness of Greece in the international field are discouraging. According to pertinent data, Greece comes now last from the standpoint of competitiveness among the nations of the Organization for Economic Cooperation and Development (OECD). That is, it is in an even worse position than Turkey, Portugal and Spain! The provoking regression of the competitiveness of the Greek economy stems from a combination of relevant special criteria (dynamism of the economy, human potential, costs, raw materials, etc.)

.The continuation of those findings is also that Greece was in tenth place among the richer countries in 1984 from the standpoint of salaries, despite the fact that it had the lowest per capita income. It should be noted that the other countries which are ahead are Switzerland, France, Spain, the United States of America, West Germany, Italy, Belgium, Holland and Britain.

The other nations, and even more so the socialist ones, in their efforts to boost their economy and to deal with the crisis and the recession did not hesitate to implement measures aimed at curbing inflation, reinforcing the competitiveness of their products, and protecting them with a timely sacrifice of the workers' legitimate claims, with notable results, it can be said.

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CSO: 3521/249

ECONOMIC

GREECE

INDUSTRIAL PRODUCTION FALLS BY 5.1 PERCENT IN JANUARY 1985

Athens I KATHIMERINI in Greek 12 Apr 85 p 7

[Text] The index of industrial production, according to an announcement of the Statistical Service, decreased by 5.1 percent in January 1985 relative to the corresponding month in 1984. The index of mining production also showed a decrease of 5.5 percent, whereas the index of electricity-illuminating gas showed an increase of 13.6 percent.

In greater detail, the Statistical Service's announcement is as follows:

"The evolution of the Production Index for Mining, Industry, and Electricity-Illuminating Gas for January 1985, in relation to the corresponding month, January 1984, is shown below:

- 1) The General Production Index for Mining, Industry and Electricity-Illuminating Gas shows a 2.8 percent decrease.
- 2) The Index of Mining Production shows a 5.5 percent decrease.

The movement of this index was influenced by the corresponding (downward) movement of quarry building materials, bauxite, lignite, iron-nickel ores and magnesite indices despite the opposite (upward) movement of chromium-manganese ores, etc. and of various sulphides-barytes.

- 3) The Index of Industrial Production shows a decrease of 5.1 percent.

The movement of this index was chiefly influenced by the corresponding (downward) movement of the indices of non metallic-ores, textiles, petroleum-coal production, means of transportation, goods, electrical machines and appliances, etc., wood and cork, printing and publishing, despite the opposite (upward) movement of the indices of foodstuffs, basic metal products, paper, tobacco, chemical products, beverages and furniture.

- 4) The Index of Electricity-Illuminating Gas Production shows an increase of 13.6 percent.

In particular, the Index of Electricity Production (quantitative, uncomputed index) also shows an increase of 13.5 percent.

ECONOMIC

GREECE

HIGH COST OF FOREIGN DEBT SERVICING DISCUSSED

Athens I KATHIMERINI in GREEK 28-29 Apr 85 p 2

[Text] The report of the governor of the Bank of Greece announced for tomorrow constitutes a confirmation of the criticism directed against the government's economic policy by the ND and of the recommendations it made, but also a stern censure of those responsible for bringing the economy to the brink of bankruptcy.

The ND deputy, Mr. Ath. Kanellopoulos, refers to this in his statements and characterizes as dramatic the governor's disclosures regarding the extent of the servicing of the public debt.

As Mr Kanellopoulos mentions, according to the information he provides, the report reveals that "\$1.845 million were spent on servicing the 1984 foreign debt, or a 19 percent proportion of the receipts from the export of goods and services."

Thus now from an official source, the Greek people are informed that for the servicing of the foreign debt, including interest and amortization, each Greek family was burdened with \$560 or about 80,000 drachmas in 1984.

In 1985 each Greek family will be burdened with 168,000 drachmas for the servicing of the foreign debt alone.

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CSO:3521/249

ECONOMIC

ICELAND

FIVE-YEAR TRADE AGREEMENT WITH USSR ANNOUNCED

Reykjavik MORGUNBLADID in Icelandic 18 Apr 85 p 68, 4

[Text] The upper limit on the exportation of salt herring to the Soviet Union has now been increased by some 50,000 barrels, in a trade agreement between Iceland and the Soviet Union covering the next five years. For the negotiated time period which is currently ending, the export limit has been 150,000-200,000 barrels, whereas the new agreement allows 200,000-250,000. Last year, an agreement was reached covering the sale of 200,000 barrels to the Soviet Union. Importation was immediately authorized for 160,000 barrels, and later for an additional 25,000 barrels. However, authorization was not granted for the full negotiated amount.

Our reporters referred themselves in this matter to Gunnar Flovenz, general secretary of the Herring Fisheries Committee, asking his opinion on the increase in the export limit.

"Considering the circumstances, I am satisfied with what has happened in the salt herring quota," Flovenz said, "insofar as limiting negotiations are undertaken regarding the sale of herring as such, and insofar as authorization is granted by Soviet officials to negotiate with us at appropriate intervals relative to our preparation for new fishing seasons. We had a real substantial catch last year, which landed us in a lot of trouble.

"What we asked for," Flovenz continued, "was to have the salt herring quota increased from 150,000-200,000 barrels to 250,000-300,000 barrels, but the Soviets could not accept that increase, because of the increased herring catch and the increased availability of salt herring coming from other nations on the Soviet market, according to what the negotiating committee told us. It was not until the last moment that an agreement was reached on a 50,000-ton increase in the salt herring quota. On the other hand, the Soviets agreed right from the beginning on big raises in the quotas for frozen filets. We have sold them quite a quantity of filets, particularly ocean perch," said Flovenz.

Sales Increase in Frozen Filets and Salt Herring

In the provisions of the negotiations between Iceland and the Soviet Union for the next five years, the top limit on sales of salt herring will increase some 50,000 barrels, while the limit on sales of frozen filets will increase some

8,000 tons. The import limits decreased generally on our purchases of petroleum products from the Soviet Union, which means that we can expect a lower trade deficit relative to the Soviet Union in the next few years.

The new trade agreement covers trade between the two nations from 1986 to 1990, inclusive, and annual sales negotiations will be conducted later, determining sales limits on each product. The limit for frozen fish filets has increased from 12,000-17,000 tons annually to 20,000-25,000 tons; the limits for frozen whole fish have stayed the same, remaining at 4,000-7,000 tons. The salt herring limit has increased from 150,000-200,000 barrels to 200,000-250,000 barrels. The same low limit will be set on processed foods, namely, 4 million dollars; but the high limit will go down to 5.5 million dollars, with a possible later increase. The limits for woolen goods will be from 5-6.5 million dollars, as opposed to the previous 4-4.9 million. The limits for paint and related products will be 1,500-2,000 tons, or the same as before; and for miscellaneous products, 1.5 million.

Relative to imports, the top limit for gasoline has been set at 100,000 tons, or the same as it was before; although gasoline purchases have hardly amounted to 70,000 annually up to this point. The limit on refined oil was set at 110,000-150,000 tons, as opposed to a former high limit of 190,000 tons. Crude oil limits were set at 180,000 tons. The low limit is currently zero, as opposed to the previous 110,000 tons. The top limits for other goods have not been changed.

Thorhallur Asgeirsson, ministry head and chairman of the Icelandic Trade Commission, said in an interview with MORGUNBLADID that the results of the negotiations should be considered rather good, since they have achieved increases in the most significant types of goods. This ought to insure the continued sales of frozen fish and salt fish to the Soviets through 1990. The trade that will occur under these new limits may go far in bridging the gap that has developed in the trade balance between the two nations. The limits on our export goods were consistently raised, while, on the other hand, the limits for imported goods went down. Whether a balance of payments is the result or not will all depend, though, on whether trade relations are successful within these limits.

Olafur Gunnarsson, general secretary of Central Freezing Plants (SH), said in an interview with MORGUNBLADID that these negotiations should only be considered as providing a framework. The negotiations were, however, very important and positive nevertheless, he said; but it would only become evident later how successful further negotiations within these limits would be. Prices and comparisons with other markets would also be a factor. But if we were to buy oil at a competitive price from the Soviets, and sell them fish and other goods in turn, it would be a very good trade, Gunnarsson said.

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ECONOMIC

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PAPER ASSESSES FIVE-YEAR TRADE AGREEMENT WITH USSR

Reykjavik MORGUNBLADID in Icelandic 19 Apr 85 p 28

[Editorial: "Agreement with the Soviets"]

[Text] An agreement has been reached between the negotiating committees of the Icelanders and the Soviets concerning limits for trade between the two nations for the next five years, i.e. until 1990. This negotiation of limits was made on the basis of the trade and payment agreements made between the nations in 1953, and this time we were successful in raising the high limits on salt herring and frozen fish filets. Both of these are important, but what will make the biggest difference, of course, is the annual development of the trade--how much the Soviets are willing to pay for Icelandic products, and how much they buy each time.

MORGUNBLADID has stated numerous times--particularly at the time when the last five-year limiting negotiations with the Soviet Union were made--that it is extremely important that we do not lose sight of the fact that the Soviets make no distinction between politics and business. For example, this paper printed heavy criticism in 1982 on the negotiations for economic cooperation. We argued that by means of that negotiation the Soviets had used trade as a tool to achieve their political goals.

Many have criticized MORGUNBLADID's policy on this topic by saying that we were trying to set up roadblocks to our nation's trade. The kernel of this particular criticism is actually the following: one cannot say anything bad about the Soviets, or they will stop buying our fish. Opinions of this kind, in reaction to our trading with the Soviets, are utterly in opposition to our Icelandic sense of independence; nor is there any doubt that the Soviets have been happy to hear them, as a bonus to trading with us.

People have said that trading is the only "legal" way for the Soviets to gain influence here in Iceland. They have tried this method as hard as they could, sometimes with only moderate results. The Soviet authorities will not want to give up this technique, even though we have made substantial reductions in petroleum products from there, and even though people are saying that they have cut back on their employees in their embassy in Reykjavik, to name a few examples.

The Soviet market for fish is important to us Icelanders in a number of ways. Now what is of most concern is to be able to sell them salt herring. The EEC has closed its markets to us, by its unreasonable customs regulations, among other things. Even though the Soviets now say that they will buy more salt herring from us, we have no reason to stop our efforts to enter other markets, which we should be trying to do with all our energy. Attempts to export ocean perch and saithe do not seem to be a bad idea by any means; we are certainly not bound to the Soviet market for all our lives. In some instances our exports to the Soviet Union cause us to forget the value of the raw material, placing instead our emphasis on gains easily got.

Our trade with the Soviet Union will continue throughout the next five years. We cannot continue to think that only business interests are involved here, that the Soviets will not gain a political profit from them as well.

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ECONOMIC

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ECONOMIC INSTITUTE REPORTS 22 PERCENT INFLATION IN 1984

Copenhagen BERLINGSKE TIDENDE in Danish 29 Apr 85 p 10

[Article by Magnus Gudmundsson, Reykjavik: "Iceland's Inflation Is Decreasing"]

[Text] The high inflation which followed in the wake of the general wage increases in Iceland in the fall of 1984 is now decreasing, the Economics Institute in Reykjavik says. Consumer price increases in March were recorded at 1.68 percent, which corresponds to about 22-percent inflation on an annual basis. Inflation on an annual basis of between 65 and 70 percent was recorded around the turn of the year. At the Iceland Employers Association's annual meeting on Tuesday harsh criticism came forth from the association's president against what he called economic overadministration in Iceland. Employers Association President Páll Sigurjonsson compared the Icelanders' administration of their economy in the last 10 years with a man attempting to go up a down escalator.

According to Sigurjonsson, inflation in Iceland has contributed to heavy overinvestment. If it were not for costly overinvestment, Iceland would have a 25-percent higher standard of living today, the Employers Association's president says.

It caused a stir when the president in his speech appealed to Iceland's LO [Federation of Trade Unions] for bilateral negotiations between the labor market's sides regarding rescuing the disabled national economy.

But the non-socialist government has just urged trilateral negotiations and consultations regarding economic measures.

When the non-socialist coalition government came to power in May 1983 inflation in Iceland was at over 130 percent on an annual basis, and government economists had predicted that it would approach the 200-percent mark by the end of the year unless drastic intervention measures were carried out.

The government's intervention against inflation consisted, among other things, in abolishing automatic cost-of-living adjustment of wages, which involved a strong decrease in real wages for Icelandic wage earners.

In spite of the fact that voters could feel the economic intervention bitterly in their own private economies, the government's measures were popular, in any case according to polls from 1983-1984.

But other measures in the summer of 1984 proved to be less popular among hard-pressed wage earners.

In pace with the reduced inflation, the National Bank had lowered interest rates on loans in the country from over 50 percent to under 20 percent per year. However, last summer the government agreed to the banks' being able to compete on their own premises for free capital and themselves determine their interest rates. However, in spite of a poor economy in recent years, Iceland has not experienced unemployment to a major degree since the end of the 60's. However, unemployment does occur in spells in fishing villages around the country, because of occasional failures in fishing.

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ECONOMIC

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BANK REPORTS MUCH IMPROVED GNP GROWTH FOR 1984

Copenhagen MÅNEDS BØRSEN in Danish Apr 85 p 25

[Article: "Landisbanki Islands [Iceland National Bank] Regarding the Icelandic Economy: We Lost a Battle, Not a War"]

[Text] Landisbanki Islands introduces its latest issue of ECONOMIC OUTLOOK with these words. The quote alludes to the economic situation in 1984, when wages jogged up somewhat, inflation rose again and the krone was devaluated. This was a step backward at a time when it was hoped an upswing was on the way. All in all, the bottom line for 1984 was that the GNP dropped by about 0.4 percent, which is markedly better than 1983, when the drop was 5.5 percent. The balance of payments deficit increased from 2.4 percent of the GNP to 5.8 percent, among other things, because of growing repayments and interest on the foreign debt. Inflation was for a large part of the year at the 10- to 15-percent level, but because of wage increases of 24 percent in the fall and the subsequent devaluation of 12 percent, inflation went up again and will remain high, in any case, in the first quarter of 1985. Iceland's economy now appears to be at the bottom of a recession, and there is much to indicate that production will have an upward tendency from now on. A rise of 0.6 percent in the GNP is estimated in the budget in 1985, and a slight improvement in competitiveness is expected. The budget anticipates that consumption will develop in pace with the increase in production, which means that Iceland in 1985, too, can figure on a balance of payments deficit on the order of five percent of the GNP.

Iceland: Key Economic Indicators

Percentage of change	1982	1983	1984 (tentative)	1985 (forecast)
Gross national product	-1.5	-5.5	-0.4	0.6
Exports	-9.0	9.0	1.0	4.0
Imports	0.8	-4.7	8.7	3.6
Disposable income per capita	-1.0	-13.0	-3.5	0.0
Gross investment/GNP	27.0	25.0	24.0	24.0
Balance of payments/GNP	-10.0	-2.4	-5.8	-5.6
Public finances/GNP	1.0	-3.4	-2.0	-1.9
Percentage of unemployment	0.7	1.0	1.0	1.0
Inflation	51.0	84.0	29.0	28.0

On the assumption that wages will not rise more than two percent above the final figure from the fall, consumer prices will be on the average 28 percent above the 1984 level, which corresponds to an increase of 20 percent over the course of the year. Accordingly, a strong drop in inflation is figured on, since the inflation rate in the first quarter is estimated at about 55 percent on an annual basis,

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SURVEY INDICATES BASQUE ECONOMY DAMAGED, IN TRANSITION

Ardanza to Emphasize Economic Policy

Madrid ABC in Spanish 18 Mar 85 p 33

[Commentary by Jose Antonio Ardanza, "Lendakari" of the Basque Government]

[Text] The economy will pose a fundamental challenge to this government, and that is why we have created the post of economic vice-president. The person who fills this post will be responsible for coordinating all areas of the economy, in view of the unprecedented situation we face. This year is the last year of a more or less conventional period; next year, 1986, unless something extraordinary happens at the last minute, we will be in the Common Market. Consequently, we must draw up our budgets with a view to what this membership will signify.

That is why I am so concerned about next year. People think that our entry into the European Economic Community (EEC) will bring about something akin to a miracle, when actually it is still possible for the crisis to worsen suddenly. New factors enter into the picture, such as the implementation of the value-added tax. Although we have no way of knowing the exact extent of its impact, it will result in a one- to three-point increase in inflation. In the short run, the next 2 years (1986 and 1987) will be bad as a result of our membership in the EEC. The problem is, we have no alternative but to endure this period, if we want to have any prospects for the future.

With regard to the public sector, I am concerned about the tendency of certain companies to come running to the administration when things turn bad, begging to become public enterprises.

It is normal to have some public enterprises, even ones that are in the red, as long as they fulfill social needs that cannot be met by private enterprise, as in the case of transportation. But I am concerned about the companies that are losing money and want to be taken over by the public sector, because once they become public enterprises the administration is criticized for poor management. The first thing we should look at is whether the company is losing money because of bad management, or because it was already economically unsound.

Bilbao city government and Vizcaya deputation: The Chamber of Commerce is most heavily represented in the Council, 40 percent, but it does not have a commensurate share of investments, which limits its administrative capacity.

Investment must be encouraged, and among the adverse factors in this process are violence and insecurity among the citizenry, which are not conducive to investment. Capital knows no home country, and goes wherever the prospects look best for profits, with the least risk. I think that our country's image, unfortunately, has suffered a major deterioration for several years now. We must make it clear that the violence is not helping us at all.

If, in addition to that, we are undergoing a widespread crisis, then when there is a potential foreign investment, the government itself may want it to go to some other Community, or other Communities will try to promote and attract that investment. Then we are adversely affected not only by the violence, but also by our lack of proper conditions for investment.

There is still a hinterland, however, with significant industrial experience and know-how that can make foreign investment profitable. We must also consider other positive factors, such as the geographical situation, the existence of a good port, and proximity to the border, as well as human resources that are still valuable and experienced, in which I have great confidence.

When I say that the government itself is interested in promoting investment in other Communities, I am not using "interested" in the pejorative sense. From the government's point of view, it may be that in Andalusia, for example, there is chronic unemployment and depression. For this reason, the government may want to shore up that Community through a series of industrial programs. It is a matter of redistributing industrial activity somehow.

In the context of reconversion, we want to give a strong boost to the sectors involved in our area. For that reason, the famous pact, specifically Article 4, states that the two administrations must participate and cooperate not only in the sectors subject to state reconversion, but also in others.

At this time these sectors are being studied, as is the reconversion policy to be followed. The government is telling us not to cause so many problems in sectors that are undergoing reconversion under its direction. The matter of Euskalduna, for example, has been the subject of disagreements as a result of certain attitudes in the Basque Administration and in the party itself. This has impeded normal progress.

With the Urgent Reindustrialization Zones (ZUR), we will see whether we can agree on combined formulas of mutual support. The central government wants us to get involved in the ZUR issue, which is basically within the purview of the government. We do not refuse to participate, but we also want the government to provide the corresponding support to other sectors or subsectors that are theoretically under our jurisdiction.

I do not want to sound like a pessimist; I want to be realistic. But I must also tell the public that we politicians can have all the best intentions in

the world, and can take all the measures and steps necessary to solve problems, but in the final analysis we will not be the only ones to solve them. A politician does not have the ability or the key to solve problems; that should be done by everyone.

We must be aware that we are going through a prolonged crisis, and that each of us and all of us must do our share to resolve the situation. I am concerned, however, when I hear the phrase, "We must all solve the problem together," because the weakest are almost always made to suffer the most. The politician or the person in charge of carrying out public administration properly must always bear this in mind. We must ensure that each person bears the burden of the crisis to the extent of his abilities.

The most effective measure tends to be a closing of ranks to eliminate tax fraud. Usually the best way to enforce the tax laws is through wage withholding, where there is no room for fraud because the employer withholds the tax ahead of time. But taxes can be evaded by those who are not subject to a specific salary. Everything must be done carefully, of course, because we cannot afford to have any greater tax pressure here than in the rest of the country, since that would pose one more problem.

Economic Modernization Brings Stabilization

Madrid ABC in Spanish 18 Mar 85 pp 34-35

[Article by Jesus Dorao Lanzagorta]

[Text] The Basque economy, following the pattern of the rest of Spain, felt the impact of the energy crisis, albeit belatedly and more intensively. The gross domestic product of the Autonomous Basque Community fell 20 percent in real terms between 1973 and 1981, while the average GDP for the country as a whole rose by 19 percent.

Fortunately, since that time (1981-1984), the situation has gradually stabilized, with growth rates very similar to the average for Spain. This means that the most frightening times, the terrible sensation of a "free fall in a vacuum," are behind us.

Perhaps the most spectacular effect has been the impact on the employment picture; between 1973 and 1984 101,419 jobs were lost, and this process is still underway, unfortunately. In the most recent period, 1975-1984, 194,100 jobs have been eliminated. The deterioration of the Basque economy has been due in large measure to the slump in the construction sector and the problems that many large industrial firms have had in adjusting to the situation, primarily in the traditional sectors of iron and steel, shipbuilding, capital goods, and others.

These sectors really needed a strong reconversion program, which has finally been implemented nearly a decade too late. Fortunately, however, in the Basque Community this program is being carried out in earnest.

Aid to Traditional Sectors

Officially, the actions and assistance that are contemplated will affect four sectors that are essential to the Basque economy: integral iron and steel, special steels, large domestic appliances, and shipbuilding.

In the integral iron and steel sector, with reference specifically to Altos Hornos de Vizcaya, the reconversion process will not be traumatic, since the surplus workers can be absorbed and the investment program currently underway ensures that the firm will begin yielding profits by the end of this decade.

The special steels sector has required a laborious process in which Aceriales, before reaching the end of the first stage, had to carry out painful cutbacks in personnel, a significant revamping of finances, and the creation of a holding company. Finally, in early 1985, implementation of the investments designed to make the companies in this group competitive has begun.

The Basque group of the major domestic appliances sector is well into its restructuring process, although in some cases, such as Fabrelec, there are still payroll adjustment problems.

In the shipbuilding sector, it is necessary to distinguish among the large, medium and small shipyards. In the large firms, the dismantling of Euskalduna (the Olaveaga de Astilleros Espanoles factory) has led to a series of labor conflicts. Although they have eased up somewhat, the problem is not resolved yet. In the medium Basque shipyards, a merger is being planned involving Maritima de Axpe, Cadagua and Ruiz de Velasco. This plan may enable these firms to earn profits in the medium term.

The restructuring of another important sector, that of electrical materials, is still pending. In Vizcaya, the companies in question are General Electric and Westinghouse, among others. There, an agreement has not yet been reached to allow the central administration to arbitrate the corresponding measures and support.

Other key sectors in the Basque economy are involved as well, such as machine tools, hand tools, lathes, paper, foundries, printing and engraving, gears, firearms and sewing machines. They employ more than 20,000 workers all together, and there is a payroll surplus of more than 4,000 workers. These sectors are not covered by state aid, although they do need support to survive.

Another representative group in the Basque economy is that of cutlery, valves, aluminum pipes, graphic arts, ship repairs and elevator machinery. Here there are approximately 2,000 surplus workers, and restructuring is urgently needed. It has not yet been determined how much aid will be provided.

The investment required to carry out the restructuring of all the aforementioned sectors totals 40 billion pesetas, to which we must add the labor cost derived from establishing employment promotion funds for the surplus personnel, and the cost of paying off these companies' liabilities.

All these facts indicate that the Basque industrial fabric is being rewoven, and that by the end of this decade concrete results will be apparent.

The Basque economy has clearly undergone a critical period since 1976, but it is also clear that the worst is behind us. The road will continue to be rocky, however, because we are in the process of mending the tears in the business and social fabric. At least there is hope along the road.

Our patience will be put to the test, however, in the area of employment. The most reliable estimates foresee no solution to this problem before the late 1990s, and even that will depend on the combination of two factors: the improvement in the situation of Basque business as a whole, which will make possible the creation of new jobs, and a lower demand for work as a result of the lack of migration, the lower demographic growth rate in the 1980s, and the consequent aging of the population. Looking at the current state of the reconversion process, in which the Basque Country is a pioneer in Spain, it is interesting to contemplate the economic growth rate of the future and the role the Basque economy will play with respect to the rest of Spain and the world.

Industry will continue to be the mainstay of the productive structure. Some industrial sectors will decline in influence, but there are strategic activities in the Basque Country that should be maintained; moreover, other sectors can and should be assimilated to lay the groundwork for the future.

In addition, one of the problems with the Basque economy is its relatively high wage level compared to the rest of Spain; but with the progress of automation and the resulting drop in the labor portion of production costs, goods that are now prohibitively expensive to produce could return to relatively high-wage areas such as ours, which have the added advantage of highly skilled labor.

Another important issue is that of the industrial culture, in its broadest sense. Labor and management alike have depended on the sole product of metal for a century, but in recent years technology and applied research have made significant strides, and the need for them has become increasingly obvious to the influential minority. This is evidenced by the dramatic increase in research investment in the Basque Country, where this item went from 0.035 percent of the GDP in 1979 to 1 percent in 1984.

Direct Action on Energy

Another sector where substantial progress has been made is energy, which was one of the weak points of the Basque economy. Important savings have been achieved in this sector, totaling the equivalent of 280,000 tons of petroleum over 3 years. By 1990, the savings is expected to reach 700,000 tons. A natural gas network has been created, and by 1990 it is expected to supply 10 to 12 percent of total Basque demand (in this regard, the "Campo Gaviota" project in Bermeo will receive an investment of 60 billion pesetas through 1986). The results are not yet in on the Lemoniz case.

All these facts point to a slow but significant improvement in the Basque economy, despite the many problems that still plague it. These problems are

not a purely temporary situation, but run much deeper, though the worst is past.

Indeed, the reconversion program is well underway. It is improving our industrial climate, the infrastructure problems are being solved gradually, there has been an improvement in the level of education, energy supplies are better, and small and medium businesses are responding to treatment. All these factors lead us to the conclusion that despite all its problems, the Basque Country will be able to overcome the crisis that grips it, because this crisis is not insuperable.

Steel: Case in Point

Madrid ABC in Spanish 18 Mar 85 p 35

[Article by Juan Luis Burgos]

[Text] The year 1984 may be considered a crucial year for the development of the Spanish steel industry. This is especially true in Vizcaya, where the sector is so influential because of the presence of Altos Hornos de Vizcaya (AHV). In 1983 a period of reorganization ended, after bringing a modicum of financial stability to businesses and enabling them to study the reconversion plans and outline a new productive structure for the sector. This was done in 1984, and as a result, this year the restructuring can be undertaken, the president of AHV told ABC.

The Ministry of Industry, in close cooperation with the Economy and Finance Ministry, has implemented a series of legal provisions and administrative regulations, legalized where necessary by the full Council of Ministers. These measures have made it possible to proceed rapidly not only to approve the restructuring investments in the integral iron and steel and special steels subsectors, but also to design the necessary financial plans for making available the funds for the huge investments that were approved.

Also in 1984, the iron and steel agreements with the European Economic Community (EEC) were concluded. They will be enforced as soon as the overall Spain-EEC Agreement is signed. Another accomplishment of last year was the finalization of an agreement with the United States. Both documents will make it possible to gear our foreign trade toward these important areas in the coming years.

The approval of the investments referred to above has also permitted the implementation of the investments in the fiscal year in question, so that some firms are already in the advanced stages of construction. The completion of all or most of them before 1988 is essential if the Spanish steel industry is to be in a competitive position by the end of the transitional period called for in the iron and steel agreements with the EEC.

The investments are of tremendous importance, and in Vizcaya the Reindustrialization Plan for Altos Hornos represents 70 billion pesetas in the 1984-1988 period.

Once these difficulties are overcome and demand develops at a normal pace, we hope that the iron and steel sector will lay the foundation for a promising future of profitability and competitiveness, which will be the fruit of the restructuring process that got off to such a good start this past year.

Businessmen's Perspective

Madrid ABC in Spanish 18 Mar 85 p 36

[Interview with Confebask President Jose Maria Vizcaino by Javier Pagola; date, time and place not given]

[Text] In the opinion of Jose Maria Vizcaino, president of the Basque management association Confebask, the Basque economy is still in a tight squeeze, though there are slight indications of improvement. "The Basque businessman is investing," Vizcaino claimed to ABC, "but perhaps without the vigor that might obtain if circumstances were more favorable."

[Question] It has been asserted recently that the Basque economy has experienced a certain upswing. According to your information, is that assertion correct?

[Answer] I would not venture to state categorically that we are on the threshold of a significant improvement. I would say, in any case, that there are some signs that a slight change may be occurring, but not nearly enough to start ringing bells in celebration. One reason is that we started out in a very deteriorated situation, and any improvement in the indicators does not have much impact. It is true, however, that businesses can be divided into two groups: those that after a readjustment process are ready to surge upwards, and those that still have a tremendous adaptation effort ahead of them, and whose markets are still sluggish.

[Question] At any rate, what factors have facilitated this slight improvement?

[Answer] There has been a certain revitalization of international trade, and the Basque firms that have significant foreign interests have benefited from this situation to a certain extent, in terms of exports. Another key factor is the fact that our country still has a significant growth potential. What we are perhaps lacking is the catalyst to put that energy to work. Moreover, many firms have undergone a very important readjustment, and these two factors combined have improved their financial picture. I would like to emphasize, however, that there are still enormous unknowns and uncertainties.

[Question] What are the most pressing problems that the Basque Autonomous Community must resolve?

[Answer] On the one hand, it is important for this climate of tranquility to become firmly established in the country, so that people will be willing to take risks and to think about investing. Then there is the matter of the flexibility of our productive system in terms of labor. At this time there is a great deal of rigidity, and people are afraid to risk hiring more personnel.

[Question] Is it true that the Basque Country is becoming decapitalized?

[Answer] I don't think so. I do think that in the Basque Country, as in the rest of Spain, there has been a lack of investment in recent years. We are talking about 12 years of crisis, and that is a long time. One of the problems we will find is precisely that: If a reactivation were to occur, perhaps many of our productive structures would not be competitive because they are a little obsolete.

[Question] Does the Basque businessman feel that his society supports him?

[Answer] Sometimes there has been a tremendous feeling of isolation and incomprehension, but I think that is over now. Now the work that the businessman has traditionally done is recognized.

[Question] What expectations should businessmen have of the Ardanza administration?

[Answer] We expect it to fulfill its basic responsibility, to lead this country. All countries that are undergoing an economic and social crisis with terrorism as well need very strong leadership. We also expect it to be an effective administration. The challenge we all face is to make the autonomous administration work, to prevent it from becoming a mere bureaucracy.

[Question] What is the Basque businessman's view of the institutional offensive against violence?

[Answer] Very positive. For a long time we have been saying that the nature of terrorism required a social rearmament. The reaction that at times was not forthcoming is at last very clear.

[Question] Does the Basque businessman still have the entrepreneurial spirit that has always characterized him?

[Answer] I think so. In any case, the previous archetype of the businessman, one which had its heyday, no longer fills the bill. We need a person who has that same entrepreneurial spirit, but also has the technical management training. This new generation is acquiring that skill; although terrorism and the poor social image of the businessman had caused young people to turn away from business as a profession, that trend is waning.

[Question] Are small and medium businesses still the bedrock of the Basque economy?

[Answer] The foundation of the Basque economy is small and medium businesses. We must be realistic, however, because the small and medium firms follow the lead of the larger ones.

[Question] What is the Basque businessman's view of reconversion?

[Answer] It was absolutely necessary in the leading sectors, because the country cannot have sectors that are theoretically in the vanguard yet are in

the midst of a catastrophe. The problem is, the reconversion should have been carried out quickly.

[Question] What repercussions might EEC membership have for the Basque Country?

[Answer] The impact will be very great, and unfortunately at this time--whether because there is skepticism that Spain will actually join the EEC, because the move is regarded more as a political event than an economic one, or simply because everyone is preoccupied with day-to-day problems--with a few exceptions I do not think that the Spanish business sector is adequately prepared. Sometimes people have the mistaken impression that the Common Market means opening up new markets and therefore it is an export problem, but the real problem is what will happen here when we are invaded by foreign firms.

Regional Government Aids R&D

Madrid ABC in Spanish 18 Mar 85 p 37

[Commentary by Jose Ignacio Arrieta Heras]

[Text] In the shadow of the major business firms, the traditional entrepreneurial spirit of the Basque Country engendered a multitude of small and medium firms. Under the umbrella of the big companies, these smaller companies gradually built a solid front on the foundation of learned techniques or the manufacture of various products intimately connected with existing products. The result was a spur to industrialization, according to the industry and trade adviser to the Basque Government, Jose Ignacio Arrieta Heras:

Their hard work and desire to create wealth have borne fruit, and now the Basque Country is a veritable industrial power on a par with other, more industrialized countries.

This development, however, had a number of weak points and holes that revealed the vulnerability of our industrial fabric; now those weaknesses have turned against us, and Basque industry is at the most difficult point in its history.

The industrial policy of the Basque Government has aimed at combining a series of comprehensive actions similar to those taken by other countries (helping sectors restructure, rationalizing energy policy through different measures by the Basque Energy Department, providing investment and employment assistance, etc.) with specific, perhaps more imaginative programs (CN100, IMI, ECTA [expansions unknown]). Such programs are intended as a spearhead to help businesses compare notes with others around them and determine in what direction the market is inexorably taking them.

One of the most innovative characteristics of the current markets is the speed with which new or improved products replace old ones. For this reason, many Basque industrial products have been left behind, because we have been unable to adapt to market trends.

The Basque Government, within the framework of its industrial policy, has carried out two types of interrelated actions geared toward R&D and the new technologies. The first was to provide technical and financial resources to companies that were undertaking or planning research. The second was to create a basic infrastructure to make possible the implementation of a technology policy.

This structure has three complementary aspects:

- a) Information: To enable firms to determine where R&D in their sector is headed in the world. This was the origin of the business development center.
- b) Training: Businesses need technicians and other employees capable of "digesting" the above information and disseminating it clearly throughout the business sector. To fill this gap, Tekel, S.A. was created to provide educational resources oriented toward teaching new technology, utilizing technological advances to convey knowledge of traditional subjects, and to provide advice on training and technology as a whole.
- c) Technical Facilities: To provide businesses with the technical means to carry out their R&D programs inside and outside the firm.

It is within this context that the Basque Government is sponsoring the strengthening of applied research laboratories and encouraging them to adapt to the new situation, in terms of their material resources as well as their relations with business firms.

Finally, I would like to stress that the work of the Basque Government in this area, as in others, depends on our human capital, on the will and constancy of our people when it comes time to face this challenge, and on their resolve to return to the international position they once held. I sincerely believe, and the results show, that this support that we are providing is well received by the businesses. Even though the volumes of R&D investment at present are still far from those of other areas, we have begun to take the first steps.

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ECONOMIC

SPAIN

SLIGHT REDUCTION IN INFLATION TRIGGERS COSTLY UNEMPLOYMENT

Madrid COMERCIO INDUSTRIA in Spanish Feb 85 p 4

[Text] One of the principal achievements of the economic policy has been to moderate the rise in prices during 1984. The battle against inflation has had a very high price, however, and its success is deceiving, to a certain extent, because the average annual rate of increase in consumer prices was 11.2 percent, an improvement of just 1 point over 1983.

The year-to-year growth in the Consumer Price Index (CPI) in December was 9.0 percent, 1 point above the figure that had been predicted at the beginning of the year. Nevertheless, there was a considerable decline in comparison with 1983 (3.2 points).

With regard to the changes in the different groups that make up the CPI, it should be noted that the food component, with an important weighting factor that will be reduced as of 1985, rose at a year-to-year rate of 9.3 percent, slightly higher than the overall growth rate. As for the remaining groups, the ones with the smallest growth were housing (6.0 percent) and transportation and communications (7.4 percent), while on the other hand, clothing and shoes grew at a much faster pace than the average (11.4 percent).

Unemployment

Once again, the unemployment picture has been very disappointing; the principal problem of the Spanish economy has worsened, notwithstanding the precision of statistics and the importance of the "underground economy."

The policy of gradually adjusting the basic imbalances in the economy, which has been successful on several fronts, has been unable to mitigate unemployment. The best proof of this failure was the signing of the Economic and Social Agreement (AES), which is supposed to proceed gradually to facilitate the creation of jobs. It appears unlikely, however, that it will produce any major changes in the short term.

With regard to registered unemployment (people signed up at INEM offices [expansion unknown]), the data corresponding to last December indicated that 2,604,200 people were out of work. The year-to-year comparison revealed an absolute increase of 261,900 jobless workers (11.2 percent in relative terms).

By sector, registered unemployment also grew on the whole. The largest relative increases were in the agrarian sector and in services. The small increment in unemployment in the construction sector is noteworthy, and can be explained by the sharp jump in that sector at the end of 1983.

Foreign Trade

Foreign trade developed far faster than anyone had expected in 1984, and although credit should be given to the tremendous efforts by our businesses to spur exports, it is clear that the resurgence of worldwide trade, the devaluation of the peseta with respect to the dollar, and the sluggishness of domestic demand played a key role in driving down the trade deficit. According to provisional figures compiled by the General Customs Office, that deficit fell by 37 percent last year in pesetas, and by 44.8 percent in dollars, thanks to the great vigor of exports and the relative stagnation of imports.

The table below shows previous trends, and the spectacular growth of our sales abroad. In real terms, those sales climbed by nearly 20 percent. According to information released during the recent "Export Summit," most of the growth in exports is due to the rise in demand in the member countries of the Organization for Economic Cooperation and Development (OECD). The result has been a surplus in the balance of trade for the first time in years.

Spanish Foreign Trade in 1984

	Billions of Pesetas	Year-to-Year Growth (%)	Millions of Dollars	Year-to-Year Growth (%)
Imports	4.6290	10.8	28.865	1.0
Exports	3.7781	33.3	23.639	20.0
Balance	-850.9	-37.0	-5.225	-44.8
Cover Rate	81.6	--	81.9	--

Source: General Customs Office

Commerce

According to the survey conducted by the Ministry of Industry and Energy, last November there was a slight decline in the backlog of orders, accompanied by a rise in the level of inventories and a considerable drop in production.

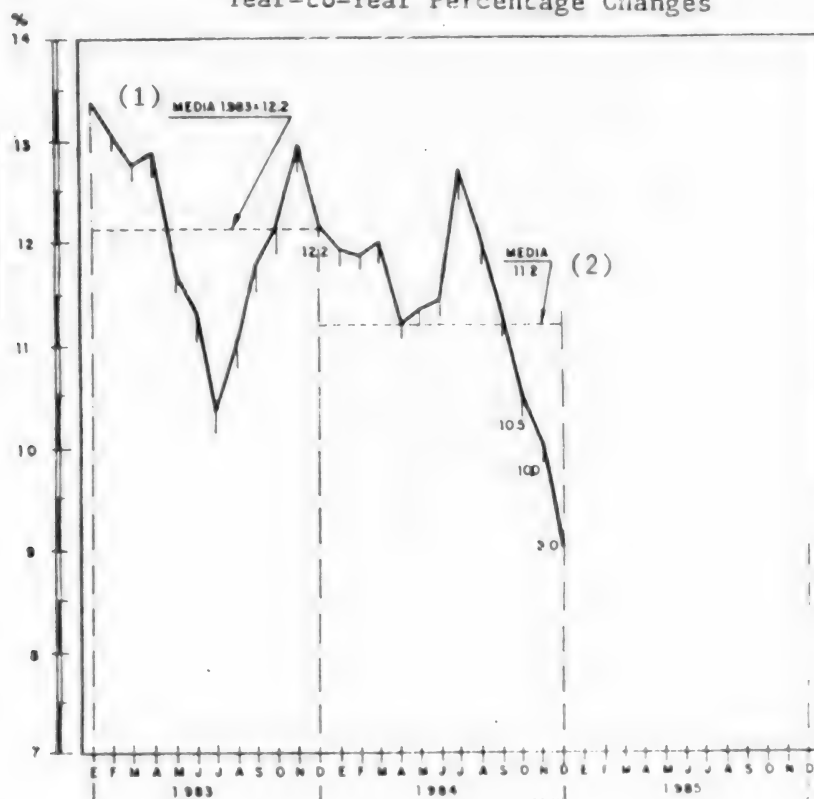
The level of back orders in industry was at -38, a decline of two points from the previous month's level. As for short-term expectations, the figure has settled at -7, a drop of 3 points from October.

The level of production indicator plummeted drastically to -10 points, a loss of 30 points since October. Moreover, expectations are still at 17 points, so no significant change is predicted for the short term.

Finally, in the construction sector the survey did not reveal any significant changes since October; the contracting level fell 2 points, the production indicator dropped 1 point, and declines in contracting and the purchase of

machinery are expected for the next few months. The volume of production is expected to remain stable.

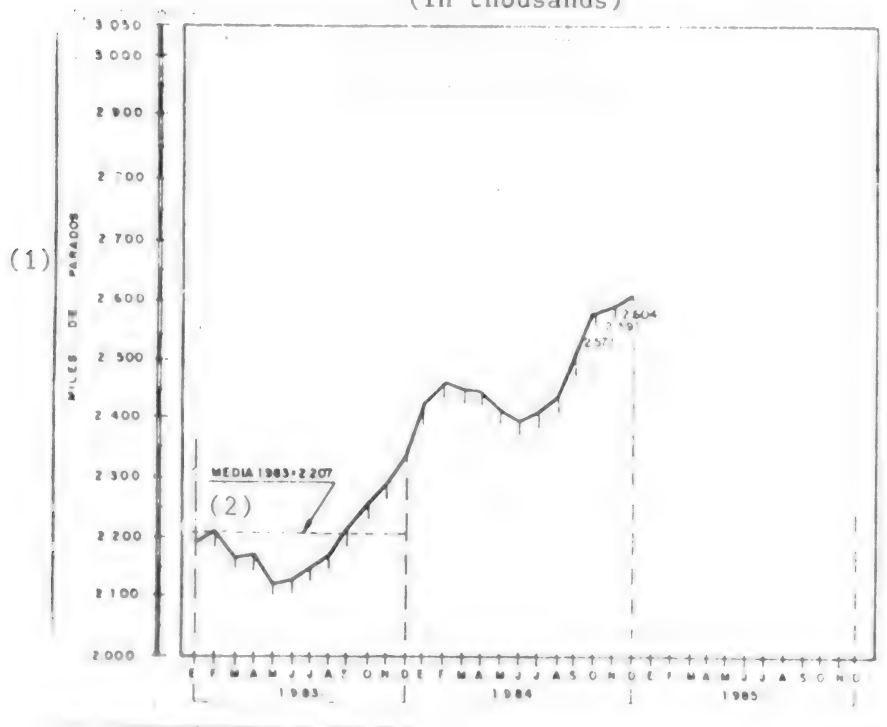
Consumer Price Index:
Year-to-Year Percentage Changes



Key:

1. Mean 1983 = 12.2
2. Mean

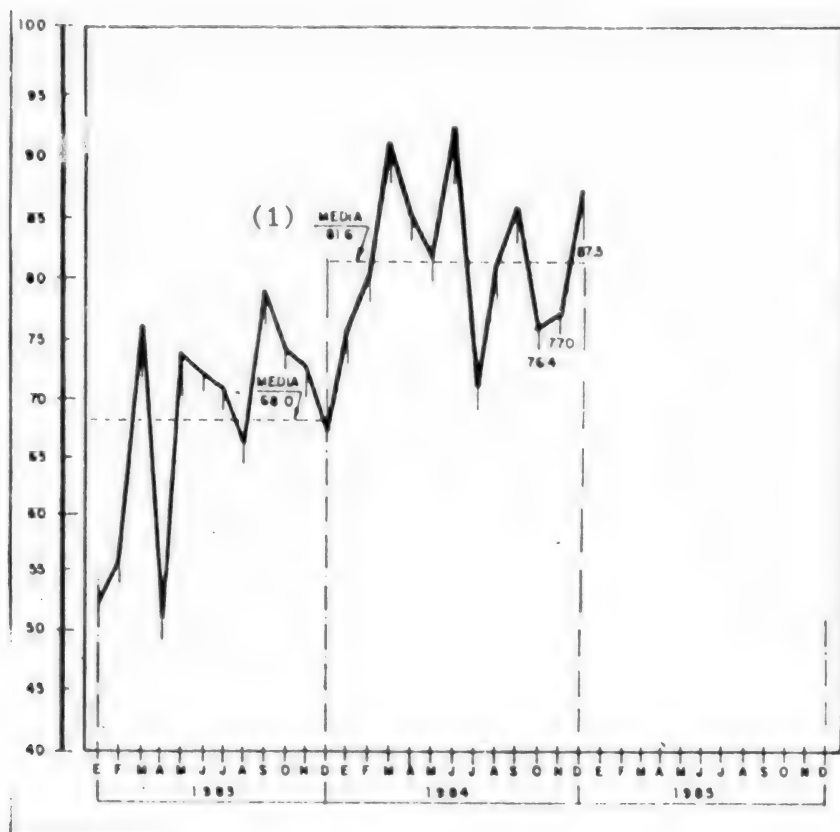
Registered Unemployment
Monthly Change in Number of Unemployed
(in thousands)



Key:

1. Thousands of Unemployed
2. Mean 1983 = 2,207

Foreign Trade: Monthly Changes
in Cover Rate



Key:

1. Mean

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ECONOMIC

SPAIN

INVESTMENTS DOWN IN 1984 DESPITE 29 PERCENT PROFITS

Madrid EL PAIS in Spanish 6 Mar 85 p 47

[Article by Gustavo Matias]

[Text] Madrid—Business profits were up 29 percent last year, quadruple the 7 percent that had been estimated for the purpose of setting salaries. Both figures appear in the preliminary National Accounting Report submitted by the National Statistics Institute (INE) last Thursday to the Ministry of Economy and Finance, where it will be reviewed. Judging by those percentages, the higher rates of inflation and job losses have resulted in a less equal distribution of income than initially predicted by the government. Private analysts say that these figures once again emphasize that the mere accumulation of surpluses does not solve the problem of investment, which the INE says has fallen by 3.5 percent.

If the INE stands by its figures, gross profits as a percentage of the GDP will have gained 3 points (to about 46 percent), with the corresponding loss in wage remunerations.

For the moment, the INE has responded to instructions from the Ministry of Economy and Finance to change its initial figures by making preparations for a meeting between National Accounting officials and representatives of the Bank of Spain, the General Office of Economic Forecasting, and the Secretariat of State for Commerce. The session is provisionally scheduled for next Friday. Although our sources emphasized the National Accounting officials' resistance to correcting their data and the fact that the INE used as many or more figures and indicators than in other years, within a week the outcome of the confrontation will be known.

Until then, it can be noted that the latest national Accounting Estimates illustrate one of the greatest contrasts with the government's objectives in terms of trends in wages and surpluses (profits, depreciation and financial expenditures). When it drew up the State Budgets for 1984, the Executive had predicted that surpluses as a percentage of the GDP (in other words, the value added in the production of goods and services) would rise by 1.2 points, though the actual figure was 3 points. The surplus per unit produced was supposed to rise by 15.5 percent (2.5 percent of the GDP would raise it to 18.4 percent). But these objectives were exceeded, as revealed by the

estimates of unprecedented growth in the cash flow (profits plus depreciation) in various major sectors.

Increase in Profits

For example, the increase has been 40 percent in the electrical sector, as was indicated last week by Economy Secretary Miguel Angel Fernandez Ordonez in an informational session. A similar trend has been seen in savings banks (see EL PAIS 3/9/85). The banking sector has reported slightly lower profits than these, but they are still at high levels. Record-breaking profits have been reported by export firms, which have benefited from prices averaging 12 percent higher and a real growth of 14 percent in sales abroad.

Among the elements that have contributed to exceeding the goals, on the side of remunerations as well as the surplus side, are the greater year-to-year rise in prices and the also greater decline in salaried employment. In fact, the overall deflator (year-long consumer prices, investment, and the external sector) has been 11.8 percent, instead of the predicted 10.9 percent. By the same token, a year and a half ago the workforce was expected to expand by 182,000 people, equivalent to 1.7 percent, and the Workforce Survey (EPA) has revealed a decline of more than 3 percent, without discounting for the reform in community employment, and more than 2 percent with that discount.

With wages remaining almost unchanged after being set at the beginning of the year, businesses--it should be noted that the National Accounting figures include earnings on agricultural holdings among business profits--have paid lower wage costs per unit produced. This is because the 2 percent economic growth rate, along with the sharp reduction in salaried employment, has raised overall productivity.

The remunerations of wage-earners--according to the wages agreed to in collective bargaining, sliding scales and Social Security contributions--may have grown by more than 8.5 percent; but the drop in salaried employment has brought down the overall growth of wages to 7 percent.

These trends have been observed not only by the INE, but also by the principal private study services. For example, COYUNTURA ECONOMICA, of the Savings Banks Association, last week said that wage costs were growing by 7 percent and that gross operational surpluses were rising at a rate of 22 percent. The attached table shows the net surpluses, that is, after capital consumption is subtracted.

Given that the improvement in surpluses over the past few years has not boosted investment, that publication stressed that "business surpluses do not, in any case, have an immediate impact on investment." Faced with the two academic theories in question (either surpluses are automatically converted into investment, or prospects for the growth of internal or external demand are required), the publication opted for the second and concluded that "the mere accumulation of surpluses does not solve the problem of private investment."

Increases in Remuneration of Wage-Earners
and in Business Surpluses in Recent Years (*)

	1980	1981	1982	1983	1984
Remuneration of wage-earners	13.2%	13.2%	12.7%	11.7%	7%
Net operational surplus	18.5%	11.0%	18.1%	16.6%	29%

	1980	1981	1982	1983	1984
Total wage costs	8.176,504	9.262,353	10.439,508(P)	11.667,387(A)	12.484,804(E)
Total net surpl.	4.879,673	5.418,821	6.402,170(P)	7.470,218(A)	9.636,581(E)

* Figures in billions of pesetas

Source: Our own compilation of data provided by the INE. (P) = provisional, (A) = advance, (E) = our own calculation on the basis of the 7 and 29 percent estimated by the INE in the preliminary National Accounting figures for 1984.

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CS0: 3548/117

5 June 1985

ECONOMIC

SPAIN

ADMINISTRATION PRESSURING FOR ROSIER ECONOMIC STATISTICS

Madrid EL PAIS in Spanish 5 Mar 85 p 49

[Text] Instructions from the Ministry of Economy and Finance to the National Statistics Institute (INE) that it adjust its data to match those of other public agencies have been regarded as interference by some of the authors of the National Accounting Report, and they are resisting such pressure.

One of the sources of trouble was that, according to reports, the Ministry told the General Office of Economic Forecasting to use data from the Bank of Spain, instead of those of the National Accounting Report, as the 1984 base. The administration and most private study services, however, have been using National Accounting figures.

A similar attitude has been observed in recent months, for various reasons, in other INE departments. During the compilation of the consumer price index for December last year, the results (0.7 percent) were surprisingly low, and employees at the institute expressed surprise at the special interest various officials had shown in looking for errors in the listings. This is standard procedure before an index is released, but there was a particularly zealous attitude this time. Similarly, the fact that government officials questioned the estimated unemployment figures—first through comments on the alleged impact of the underground economy, and then with open skepticism about the sharp increase during the last quarter of the year—upset the INE staff, who disagreed with such criticism.

The National Accounting Office, after releasing the preliminary figures for 1984 last Thursday, received orders through INE authorities from the Ministry of Economy and Finance to compare their data with those of the Bank of Spain and various departments of the administration. Such meetings to compare notes have taken place in other years, but never after the statisticians considered their work completed. Sources close to the INE say that the institute already had all the information utilized on previous occasions that it needed to draft the advance report. In addition, these sources recall that the Bank of Spain projected an economic growth rate of more than 3 percent for the first 6 months of the year, and it implicitly lowered its estimates several months later (toward the middle of the year) to a projected 2.5 percent.

Although EL PAIS had learned that the preliminary National Accounting Report was completed, the chief of that department and assistant director general of

the INE, Antonio Martinez, stated yesterday morning that he was not "authorized" to release the data.

Later, in response to a telephone call by this newspaper to Economy Secretary Miguel Angel Fernandez Ordonez, Antonio Martinez phoned EL PAIS on orders from the secretary and stated that the data "are not available." He added that in the next few days representatives of the Bank of Spain and the administration would hold a meeting, and he refused to confirm the figures in the possession of this newspaper.

After this conversation, Fernandez Ordonez stated that the data "are not being concealed; they are not there. I do not know which estimates they are." Nonetheless, he reaffirmed that there will be a meeting between the INE, the Bank of Spain, Economic Forecasting and the Commerce Secretariat, after which the institute "will release whatever statistics it wants." In his opinion, although the INE has no obligation to consult with these organizations, it had followed that practice in previous years.

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ECONOMIC

SPAIN

FOREIGN TRADE BRIGHT SPOT IN SLUGGISH ECONOMIC GROWTH FOR 1984

Madrid ABC in Spanish 13 Mar 85 p 55

[Article by Javier Ayuso]

[Text] Madrid--The 3.5 percent decline in investment, the 2-point growth of the gross domestic product, the stagnation of private consumption, and the significant slow-down of activity in the construction sector, are the most salient figures in the preliminary National Accounting statistics released yesterday by the National Statistics Institute (INE). These data are worse than those submitted by the government in the end-of-year report compiled by Miguel Boyer.

After the INE's regular meetings with various agencies of the Economy and Finance Ministry, last weekend the annual report on the national accounts was finished. The report provides the most important data on the fiscal year. Some modifications were made during the meetings last weekend, although the basic figures remained as they had been presented by the INE. There are some differences, however, between this information and that released by the Ministry with regard to economic growth, investment, and consumption.

As the tables below indicate, the growth of economic activity in 1984 totaled 2 percent, a half-point below the official estimate of the Economy Ministry. This growth in the GDP is the result, on the supply side, of a good performance by the primary sector (agriculture and fishing), which has been able to cushion the impact of the slump in the secondary sector. Specifically, the total growth rate for industry was just 0.4 percent. This figure breaks down into 1.5 percent for almost all the sectors, and a drop of 4 points in the construction sector. Finally, the services sector yielded a modest 2.2 percent growth rate.

On the demand side, exports have "pulled" the GDP upwards. The 15 percent growth rate was able to counteract the sharp drop in gross capital formation (investment) and in private consumption. Public consumption rose by 2 percent.

In addition to the preliminary figures on the gross domestic product, the INE yesterday released data on national income and gross savings in the past fiscal year. As the table below shows, national income rose at a rate of 13.8 percent, both at factor cost and at market prices. Within the elements that

make up national income, most noteworthy were the growth of the gross operational surplus, which totaled 11.9 trillion pesetas for a growth rate of 22 percent, and the 17.7 percent rise in taxes linked to net production and imports after subsidies. The remuneration of wage-earners was held to the projected 7 percent, although these wages continue to account for nearly half of national income, with more than 12.4 trillion pesetas.

As for the elements that constitute gross savings, the most significant figure is the 10 percent increase in national final consumption, which totaled more than 20 trillion pesetas. Separating consumption from national income, we see that gross national savings rose nearly 30 percent to 5.1 trillion pesetas. Taking away investments made throughout the year (gross capital formation), we deduce that the Spanish economy's financing capacity (the surplus in the balance of payments) is 525.5 billion pesetas, compared to a deficit of 308.7 billion pesetas in 1983. This resulted, once again, from the growth in exports.

The publication of the National Accounting figures has aroused a severe controversy in recent days because of alleged disagreements between the experts at the INE and the Economy Ministry. A high-placed source in the ministry told ABC that these disagreements often surface, but at no time has there been any attempt to suppress the INE's reports.

Growth of Gross Domestic Product

Item	Billions of Pesetas	% Change
Supply Side		
Primary sector	1.6396	10.0
Secondary sector	8.6365	0.4
Industry	6.9782	1.5
Construction	1.6583	-4.0
Services sector	14.2001	2.2
GDP, factor cost	24.4762	2.0
Demand Side		
Private consumption	17.2926	-1.0
Public consumption	3.1818	2.0
Gross Captl. Form.	4.6350	-3.5
Exports	6.0376	15.0
Imports	5.2766	—
GDP, market price	25.8704	2.0

Source: National Statistics Institute

National Income and Gross Savings

Item	Billions of Pesetas	% Change
1. Wage costs	12.4641	7.0
2. Gross operational surplus	11.9921	22.0
3. Net income, labor and foreign property	-.3972	—

Item	Billions of Pesetas	% Change
4. Gross national income at factor cost	24.0790	13.8
5. Production tax	1.3942	17.7
6. Current net transfers from abroad	.1607	—
7. Gross avail. national income at market prices	25.6339	13.8
A. Gross avail. national income, market prices		
B. National final consumption	20.4744	10.5
C. Gross national savings (A - B)	5.1595	29.0
D. Gross capital formation	4.6350	7.6
E. Financing capacity (C - D)	.5245	—

Source: National Statistics Institute

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ECONOMIC

SPAIN

PUBLIC SECTOR DEFICIT DOUBLED FROM 1983 TO 1984

Madrid EL PAIS in Spanish 4 Mar 85 p 49

[Article by Gustavo Matias]

[Text] Madrid—The foreign debt in currency grew from 4.08 trillion to 8.09 trillion pesetas in 1984. With its accumulated borrowings from the Bank of Spain, the government owes over 9.7 trillion pesetas, equivalent to 250,000 pesetas per capita, or 2 years of tax revenues. Another 600 billion pesetas in guarantees threaten to raise those obligations still higher. Just 40 percent of the growth in the debt over the last 2 fiscal years (5.7 trillion pesetas) has gone to the public deficit, however. The rest is attributable to the banking crisis and other bail-out operations, real or on paper.

Although the government deficit has been adjusted to the 1.3 trillion pesetas projected for 1984 (unlike various spending and income items), the public debt in currency as of last 31 December totaled 8,097,371,000,000 pesetas, according to official figures. During the fiscal year a total of 4.9 trillion pesetas was put into circulation, while amortizations totaled only 1.7 trillion (of that amount, 1.3 trillion was in Treasury Bills). Despite the 3.2 trillion peseta difference, net financing totaled only 1.2 trillion pesetas.

Thanks to this gap between money issuances and amortizations, the government was able not only to carry out the bail-out operations but also to return to the Bank of Spain 658.575 billion of the 2.29 trillion pesetas it had borrowed in previous years. The negative balance in the central bank's accounts was thus 1.6 trillion pesetas, which, when added to the 8.09 trillion pesetas in public debt in currency, makes a total of 9.73 trillion pesetas that the government owes. In addition to this figure--equivalent to the total volume of government fiscal revenues in 2 years, or to 250,000 pesetas per capita--we must include the share of the 600 billion pesetas in guarantees to back agencies or foreign loans for third parties (freeways, the Spanish National Railroads, the National Iron and Steel Enterprise) that must be paid by the government.

In contrast to the growth of obligations in 1984--4 trillion more in public indebtedness, or 3.3 trillion if the return to loans to the Bank of Spain is subtracted--net financing obtained by the government totaled 1.28 trillion pesetas.

Health of Central Bank

The Treasury Bills show the greatest difference between net financing (the 450 billion pesetas projected in the 1984 State Budgets) and the increase in the debt in currency (2.3 trillion pesetas, to a total of 3.67 trillion). The figure in question is 1.8 trillion pesetas, equivalent to the old regulation certificates (CRM) created by the Bank of Spain to compensate for the liquidity provided in previous years through its aid to troubled banks and its financing of the public deficit. In 1984 these certificates were converted into Treasury Bills, a transaction which eliminated the losses from the Bank of Spain's profit and loss statement. In this way, the government has begun to make its annual interest payments (more than 250 billion pesetas in 1984), and will have to deal with the principal payments as it ceases to accumulate new debts each year.

While the 2.3 trillion peseta increase in notes in currency has yielded only 450 billion pesetas in financing for the government deficit, the government debt, investment certificates and foreign loans have brought in similar amounts to add to the balance in currency, to reach the total of 1.28 trillion in net financing.

Just as transferring 1.8 trillion pesetas from the Bank of Spain to the Treasury with the conversion of the CRMs into Treasury Bills did not increase state financing, however, the 75 billion peseta rise in special debts did not affect it either. The government has simply assumed loans from the Bank of Spain totaling 664 billion pesetas (which have appeared as special debts since December) to replace money advanced by the Bank to previous governments but never formalized (see yesterday's edition of EL PAIS). It has also taken over 164 billion pesetas in debts owed by the National Institute of Industry, 44.4 billion owed by local corporations and deputations, and 52.8 billion in debts owed by the autonomous governments, which were not taken into account in the State Budgets.

Public Debt in Currency at Year End (*)

	1983	1984	Difference
Government debt	560.678	1,107.722	+ 547.044
Treasury Bills	1,310.060	3,675.364	+2,365.304
Investment certificates	1,352.034	1,523.343	+ 171.309
Special debts	239.873	997.747	+ 757.874
Foreign loans	626.234	793.196	+ 166.962
Total	4,088.819	8,097.371	+4,008.493
Guarantees to agencies	.559	.548	
Guarantees of foreign loans to third parties	574.495	599.628	
Borrowing from Bank of Spain	2,295.565	1,636.989	- 658.575

* In billions of pesetas

Source: our own compilation of statistics from the General Public Debt Department and the Bank of Spain. Because the data were taken from different tables, the slight differences in the totals cannot be accounted for.

ECONOMIC

SPAIN

PUBLIC SECTOR DEFICIT ANALYZED

Madrid EL PAIS in Spanish 4 Mar 85 p 49

[Text] The cost of the public deficit (the price of the debt in interest and actual payments) is coming closer and closer to the annual difference between the government's revenues and expenditures, which caused it in the first place. A decade ago, when there was no such imbalance, or it was not structural, the government's financial burden totaled about 20 billion pesetas. In 1985, it will pass the trillion mark for the first time.

The problem has other facets, however. Since more than half of the debt now is due within less than a year (nearly all the Treasury Bills, primarily), the lower interest rates on the open market can be used to bring down costs. Moreover, issuances by the Bank of Spain used to be neutralized with bonds (the Monetary Regulation Certificates), which were offered exclusively to financial intermediaries and thus had higher interest rates.

The government deficit is not the only factor that has expanded the debt. According to sources at the Economy and Finance Ministry, only 40 percent of the 5.7 trillion peseta increase in the debt in the last 2 years has stemmed from having to finance that debt. The remainder has arisen from problems that have affected the State Budgets through the cost of the debt.

Thus, the 8 trillion pesetas in debt accounted for as of last 31 December (not counting the 600 billion in guarantees) exceeded by 1.3 trillion pesetas the amount that the government projected at the end of last summer (7.3 trillion pesetas, including 580 billion pesetas in projected guarantees of foreign loans to third parties) when it submitted the 1985 State Budgets to the Cortes.

On the basis of the 7.3 trillion pesetas in active debt that was projected for December 1984, the 1985 budgets contained an allocation of 206.997 billion pesetas to return borrowed funds (not including paying back Treasury Bills, which are to be covered with fresh issuances), and one of 796.144 billion pesetas to pay the interest.

Sources at the Economy and Finance Ministry have reported, however, that this year these budget allocations may be enough. But there are notable differences between the active debt that was estimated when these allocations for the

1985 budgets were made at the end of 1984, according to documents sent to the Cortes, and the active debt that really existed as of 31 December.

Deviations

Although 661 billion pesetas was the projection for the internal sector, 1984 ended with 1.1 trillion pesetas, due to the 446 billion issued for Rumasa. Moreover, the Treasury Bills in currency were calculated at 3.3 trillion pesetas, but ended up totaling 3.67 trillion. In sum, the greatest difference (229.186 billion predicted and 997 billion actual) was seen in the special debts of the Spanish National Railroads and the National Institute of Industry. These debts stayed within the predicted amounts until December, when they grew by some 750 billion pesetas because the loans from the Bank of Spain to cover debts inherited from previous governments and loans to local corporations assumed by the state, were charged to them. In contrast, there was some 40 billion pesetas less than predicted in investment certificates (the means by which private banks finance official banks), and some 128 billion pesetas less in loans from abroad. The reason was that since last summer (when the predictions were made), 156 billion pesetas in amortizations have been made, most in advance. Although only about 24 billion pesetas in amortizations were expected to be paid, they actually totaled 176.63 billion over the year.

8926

CSO: 3548/117

ENERGY

DENMARK

GOVERNMENT, SDP DUEL OVER DRILLING THREATENS ENERGY CONSENSUS

Copenhagen BERLINGSKE TIDENDE in Danish 24 Apr 85 p 12

[Article by Svend Bie: "Consensus on Energy Policy Disintegrating:]

[Text] Negotiations between the Social Democratic Party (S) and the government on the issue of state-owned DONG's (Danish Oil and Natural Gas) role have broken down due to the lack of agreement between S and the government to the effect that DONG should be allowed to drill for oil together with private Danish oil companies.

The prevailing energy policy consensus between the Social Democratic Party and the government throughout the life of the four-party government is about to disintegrate.

The Social Democratic Party now declares that the negotiations have broken down relative to conditions governing the search for oil. This has happened after a month of trying to reach agreement on terms that would govern the second round of oil bids, in which large areas will be assigned to interested consortia.

The energy consensus between the government and the Social Democratic Party has been broken over the issue of the role of DONG, a state-owned oil company.

The Social Democratic Party wants to allow DOPAS, a DONG subsidiary, to have an entrepreneur role in one or several consortia. DOPAS is part of all the consortia but, during the first round of bids, it was only assigned a so-called operator role in connection with a single land drilling operation near Saby.

The government has already yielded a great deal during these negotiations, in which the Radical Liberal Party has also taken part in compliance with the Social Democratic Party's wishes.

The offer made to the Social Democratic Party allows DOPAS to have an entrepreneur role, but only if the state-owned oil company can find private Danish companies to enter into partnership with.

The government's offer to the Social Democratic Party also states that operating consortia formed between private companies and DOPAS shall have priority in the assignment of new areas.

"We are positively disposed toward these ideas, but one stipulation is that DOPAS shall continue to have the opportunity to act as an independent operator," said parliamentary representative Hans Hakkerup, area spokesman for the Social Democratic Party.

He feels the government is insisting that DOPAS in all cases be tied to private companies in order to weaken DOPAS.

"DOPAS already has expertise which we obviously want to make available to private companies, but this should not mean that DOPAS be barred from developing independently. We feel the Danish society's interests are best served by having a strong state-owned company," said Hakkerup.

The Social Democratic Party's announcement that negotiations had been broken off came as a surprise to Liberal Party negotiator Ivar Hansen, chairman of the Liberal Party group in Parliament.

"It is not a matter of clipping DOPAS' wings, but of establishing an effective consortium with a large amount of capital that can be as competitive as possible. We are somewhat weak compared to the big foreign oil companies, but this might be compensated for by establishing cooperation among a number of private interests," said Hansen.

Throughout the negotiations the Radical Liberal Party has been opposed to allowing DOPAS to become an independent operator. Its position is that extensive controls would be needed if a state-owned company were to venture into this type of operation independently. The Radical Liberal Party feels that this can be avoided by linking DOPAS to private companies. Hence, there is actually majority support for the government's position, but the government can hardly ignore the Social Democratic Party in this important and wide-reaching matter.

Hakkerup would not deny that the negotiations could be renewed, but he said it would require the government's acceptance that DOPAS be allowed to become an independent operator in connection with ocean research.

Ivar Hansen: "I take it we will try to resume the negotiations in order to get the broad consensus on energy policy which has gradually become a tradition."

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CSO: 3613/139

ENERGY

DENMARK

ONSHORE OIL SEARCH INTENSIFIED

Copenhagen AKTUELT in Danish 13 Apr 85 p 5

[Article by Ole Lorenzen: "Oil Search Intensified"]

[Text] Copenhagen. Oil exploration in Denmark is setting a record in 1985. Never before have so great efforts been made to find oil as now.

Over the course of the next five years total investments in the search for oil will amount to over 1.6 billion kroner, according to a report by Energy Minister Knud Enggaard (Liberal Party) to the Folketing Energy Committee.

The search for oil began after A.P. Møller and Dansk Undergrunds Consortium [the Danish Subsoil Consortium] began to hand areas of the Danish subsoil back to the State.

After the so-called first bids round, seven different consortia of Danish and foreign firms received 15 licenses to explore for oil. The consortia presented an exploration plan for up to the year 1990.

Knud Enggaard concludes in his report that experiences in letting other firms than A.P. Møller explore for oil have been very positive.

Social Democratic Party Energy Policy Spokesman Hans Haekkerup says that the report documents the fact that the new agreement of 1981 with A.P. Møller regarding oil in the Danish subsoil was a clear step forward for the Danish community.

The agreement came only after very violent and lengthy clashes between the Social Democratic government at the time, A.P. Møller and the non-socialist parties in the Folketing.

Chance for Danish Industry

"It is not just the new companies which displayed a major effort. A.P. Møller too began considerably more exploration, because the last land areas are to be handed back as of 1 January 1986," Hans Haekkerup says.

More Danish Influence

During the course of this year an additional number of parcels of land are to be offered to the oil companies.

"We must ensure that at least 20 percent go to Danish firms--either public or private," the Social Democratic Party's energy policy spokesman says.

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CSO: 3613/142

ENERGY

NORWAY

BRIEFS

OIL PRODUCTION LIMITATION URGED--Norwegian authorities should consider limiting oil production in order to contribute to stable international oil prices, said the Labor Party's foremost oil politician Finn Kristensen at an oil conference in Bergen. This is the first time that a central Norwegian politician has expressed this view, and Kristensen was immediately criticized by the nonsocialist parties. Finn Kristensen did not see it as an immediate measure, but he claimed that pressures from OPEC will increase, and over the longer term it could become necessary to take such a step. [Text] [Stockholm DAGENS NYHETER in Swedish 11 May 85 p 12] 9287

CSO: 3650/242

OCEAN/POLAR ISSUES

EUROPEAN AFFAIRS

DENMARK ASSERTS CLAIM TO OCEAN AREA WANTED BY UK, IRELAND

Copenhagen BERLINGSKE TIDENDE in Danish 1 May 85 p 3

[Article by Svend Bie: "'Hesselø Dispute' in Atlantic"]

[Text] Denmark is claiming 300,000 square kilometers in the Atlantic Ocean. Ireland and England are claiming the same territory, which possibly conceals large oil reserves.

A new "Hesselø Dispute" is on the way, this time in the Atlantic Ocean.

The Danish State has just reported that it is laying claim to 300,000 square kilometers around and south of the Faeroes, where there is possibly oil or gas. The opponents to the territorial claim are Ireland, England and Iceland, who are claiming major parts of the same territory.

The disputed area is an underwater plateau of which the Faeroes are a part, but the territory stretches far southward, where the Rockall skerry is located.

"The final drawing of the boundaries will now have to depend on future negotiations," Foreign Affairs Minister Uffe Ellemann-Jensen said yesterday.

No one has a survey of what riches are found in the skerry.

BERLINGSKE TIDENDE has learned that a number of seismic studies have been made by the international oil companies. Sources report that 15,000 kilometers of seismic studies have been made. But the studies show only that the possibility of oil exists. It is far from certain that it is the case. "Geological formations which potentially can contain oil have been found," it is reported to BERLINGSKE TIDENDE.

The English are fastening to a great extent on the fact that the Rockall skerry is considered English. But although the Danes admit that Rockall comes under English sovereignty, we will disregard the rock when the boundary is to be drawn. Unlike Hesselø, there is no economic life on Rockall, and the rock can for this reason not be considered an island, the Danish State argues.

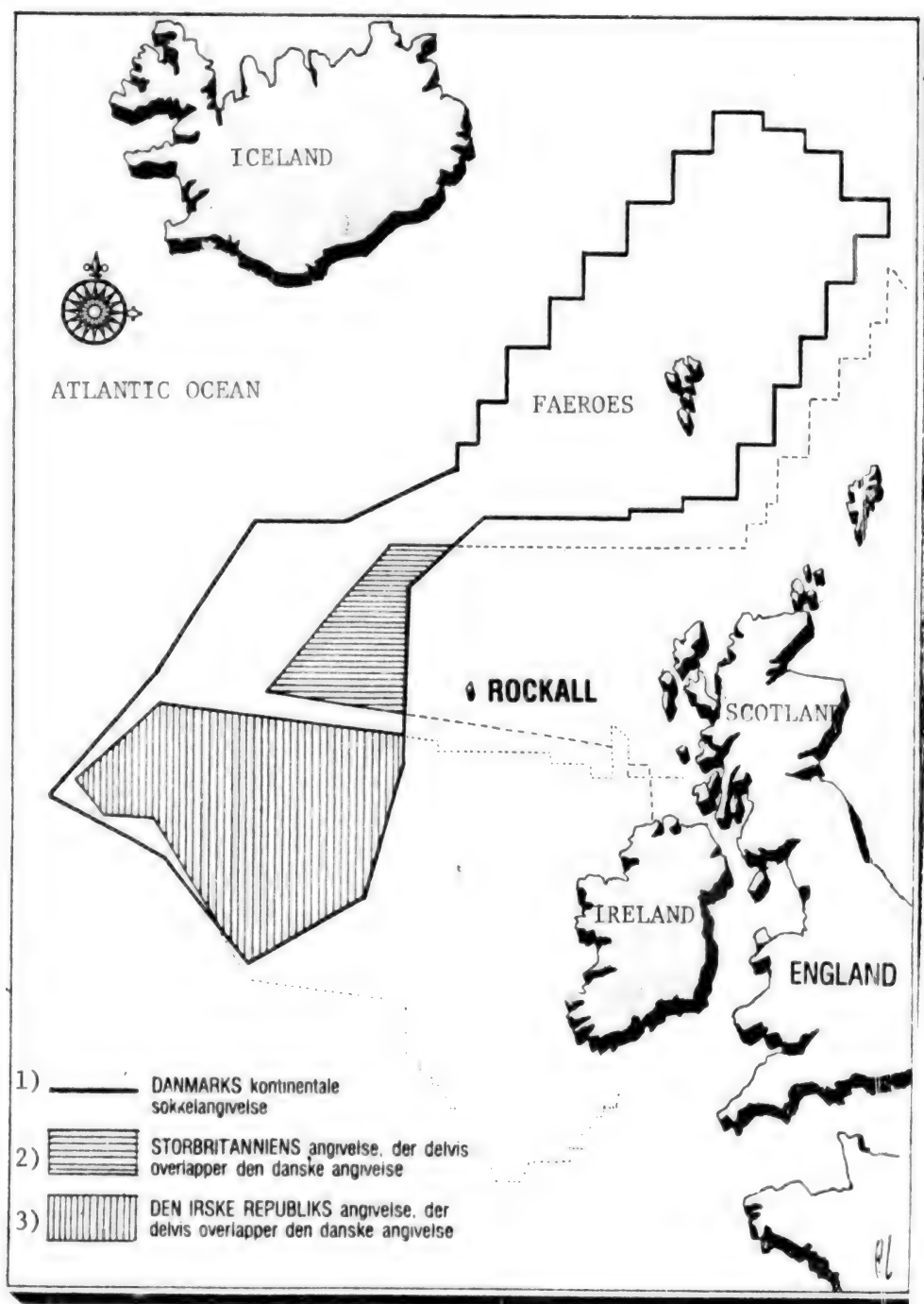


Figure 1.

Key:

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|--------------------------------------|-------------------------------------|-------------------------------|
| 1. Denmark's continental shelf claim | partly overlapping the Danish claim | claim, partly overlapping the |
| 2. Great Britain's claim, | 3. The Irish Republic's | Danish claim |

The water is very deep, about 2.5 km, between the plateau and England. The deep water is called the "Rockall Trough" and Denmark regards this trough as a clear dividing line between England and the Faeroes' continental shelves.

But both Ireland and England have made claims to the Rockall plateau without regard for the "trough."

Denmark tried earlier to get negotiations with England and Ireland under way, but without great success. It is in this light that the proclamation of the Danes' claim is to be viewed.

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OCEAN/POLAR ISSUES

NORWAY

MINISTRY ANTICIPATES INCREASING ACTIVITY IN ANTARCTICA

Oslo AFTENPOSTEN in Norwegian 12 Apr 85 p 5

[Article by Morten Malmo]

[Text] The chances that Norway will send an expedition to spend the winter in Antarctica are increasing. Environmental Affairs Minister Rakel Surlien told parliament yesterday that her ministry would discuss this matter with the Norwegian Polar Institute. Plans for such an expedition and the costs such a project would entail will be analyzed in detail, according to Surlien. There is general agreement in parliament that Norway should step up its activities in Antarctica and on Svalbard.

Yesterday parliament discussed the government's report on environmental protection, surveying, and research in the polar regions and the position of the Foreign Affairs Committee and of the Municipal Affairs and Environmental Protection Committee on this report. The spokesman on this issue, Guttorm Hansen (Labor Party) emphasized that Norway, with its historic traditions, must not become a "second-class polar nation." He expressed parliament's strong desire that Norway not simply send regular summer expeditions to Antarctica, but that a year-round station be established in this area.

Guttorm Hansen, chairman of the Foreign Affairs Committee Jakob Aano, and the Center Party's parliamentary leader Johan Buttedahl were among those who said that the Antarctic Treaty must be upheld in governing Antarctica. This unity was also confirmed in Justice Minister Mona Rokke's speech. She pointed out that changes would have an immediate impact on the carefully constructed balance of the treaty system. She stressed that the Antarctica Treaty had kept an entire region of the world demilitarized and nuclear-free and had encouraged the two superpowers to engage in constructive cooperation. Only Kjellbjorg Lunde of the Socialist Left Party supported the idea that the United Nations should take charge of Antarctica, as well as international seabeds.

Svalbard

Parliament wants to increase Norwegian activities on Svalbard, as well as in Antarctica. The chairman of the Municipal Affairs Committee in parliament, Hakon Randal, and the chairman of the Foreign Affairs Committee, Jakob Aano, both pointed out that the activities of other countries were increasing in this island group. While Norwegian research activities, measured in percent, dropped from 42 to 25 percent between 1970 and 1980, research activities conducted by other Western countries increased from 13 to 15 percent. In addition, Eastern European research increased from 45 to 60 percent, most of this being Russian research.

Spokesman Guttorm Hansen stressed the importance of expanding Ny-Alesund as a research base. This idea enjoys broad support in parliament. Environmental Affairs Minister Rakel Surlien said she agreed that this was a high priority item. She also said that surveying activities on Svalbard had been unsatisfactory. Additional allocation for geological studies in the eastern coastal regions of Svalbard would be made this year, however. On the topic of tourism on Svalbard, the minister said that the region could not tolerate massive tourism and that even limited tourism could have damaging effects. The government will present a more detailed report on Svalbard to parliament some time during the present session.

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